Introduction

The Mission, Vision, and Values of the Iberdrola Group

IBERDROLA, S.A. (“Iberdrola” or the “Company”), aware of its importance as a business, institutional, and social reality, wants to actively confront the challenges it faces as a holding company of one of the leading worldwide groups in the electricity industry.

Along these lines, Iberdrola’s Board of Directors and shareholders, knowing that impact of the Company’s activities go beyond a strictly economic impact, decisively influencing people, communities, other companies, and the natural environments in which it operates, seeks to responsibly channel this potential and convert it into the Company’s raison d’être.

Iberdrola’s shareholders have expressed this at the General Shareholders’ Meeting held on 8 April 2016, where they firmly supported the proposed amendment of the Preliminary Title of the By-Laws, which is intended to insert into the Company’s organisational document Iberdrola’s commitment to social return and to the Mission, Vision, and Values of the Iberdrola group.

For Iberdrola, this form of understanding its activity is not new. It is the public and definitive expression of its commitment to the social environment, acquired and continuously strengthened since its creation in 1901, which constitutes an essential feature of its identity and of the generations that since then have worked to build what is today Iberdrola.

The Mission of the Group is to create value sustainably for society, citizens, customers, and shareholders, as the leading multinational group in the energy sector providing a quality service through the use of environmentally-friendly energy sources, which engages in innovation and considers its employees to be a strategic asset, fostering their development, training, and conciliation measures, favouring a good working environment and equality of opportunity, committed to social return through all of its business activities, promoting universal access to electricity, generating employment and wealth in its environment, all within its strategy of social responsibility and compliance with tax regulations. It is what modern business social responsibility calls Shared Value, the sum of all the economic and social values that a company generates.

This mission is complemented on the one hand by a vision based on the ambition to play the lead towards a better future, sustainably creating value with a quality service for the people and for the communities in which the Group does business, and on the other by twelve Values: the sustainable creation of value, respect for ethical principles, good corporate governance, and transparency, development of its human resources, social commitment, encouragement of the stakeholders’ sense of belonging, safety, reliability of supply, quality, innovation, respect for the environment, customer focus, and institutional loyalty.

The Corporate Governance System

In order to ensure by rules that the Company’s commitment to the Mission, Vision, and Values of the Iberdrola group governs all of its activities, from the formulation of its strategies to its day-to-day business, Iberdrola has provided itself with a Corporate Governance System, its 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 as a whole. The Corporate Governance System is made up of the By-Laws, the Mission, Vision, and Values of the Iberdrola group, the Corporate Policies, the internal corporate governance rules, and the other internal codes and procedures making up each of the five books that follow.

This structure ensures the articulation of the rules and principles governing the organisation, operation, and conduct of the Company and its Group under the form of a true regulatory system, which is subject to periodic review and update by the Board of Directors.
Principles

The Corporate Governance System is based on the following principles:

1. Social Return and Sustainability

One of the main foundations upon which the Corporate Governance System, and particularly the Social Responsibility Policies, has been configured, consists of promoting a global culture of social responsibility within the Group, which contributes to the sustainable development of the communities in which it does business and to the well-being of people, not only from the business viewpoint, but also through an entirely human viewpoint, through a strategy directed towards the promotion of education and culture, equal opportunity between men and women, and the protection of vulnerable groups.

This standpoint gains currency only a few months after the United Nation’s approval in September 2015 of the seventeen Sustainable Development Goals, which will serve as a reference point from now to 2030 in order to try to solve the great challenges faced by humanity through inclusive and participatory solutions among multilateral agencies, governments, cities, civil society, and economic players. Iberdrola has a direct influence on goal seven, focused on ensuring access to affordable, reliable, sustainable, and modern energy for all, and on goal thirteen, to combat climate change.

Iberdrola is aware that it manages a product, electricity, access to which helps to meet the other Sustainable Development Goals. As a leading international energy company, this represents a special responsibility, and at the same time an opportunity to create Shared Value with its shareholders and with the community.

For these purposes, Iberdrola has a General Corporate Social Responsibility Policy, which is intended to establish the basic principles and the general framework of activities for the management of the practices assumed by the Company and the Group in this area and to serve as the basis for integrating social responsibility into the Business Model of the Group and its strategy. The General Corporate Social Responsibility Policy is further developed and supplemented by another fourteen Social Responsibility Policies addressing certain specific needs and expectations of the stakeholders.

Iberdrola’s commitment to sustainability mainly takes shape in its business development strategy based on the achievement of a sustainable energy model in accordance with the provisions of the Sustainability Policy.

Along these lines, Iberdrola has an ambitious Environmental Policy, which is complemented with a Policy against Climate Change and a Biodiversity Policy, which express the leadership role of the Group in this area, one of the pillars of Iberdrola’s sustainable energy model.

In particular, the fight against climate change and in favour of sustainable development is one of Iberdrola’s firmest commitments, with a goal to reduce the intensity of its CO₂ emissions below 150 grams per kWh by 2030, a figure that would be 50% under the specific emissions of the Group in 2007. Iberdrola committed to this goal at the Paris Climate Conference promoted by the United Nations (COP21).

Likewise, and through the “Electricity for All” initiative focused on helping to resolve the problem of access to electricity suffered by the more than 1.2 billion people without access thereto included in Sustainable Development Goal number seven, Iberdrola has committed to the United Nations to provide access to 4 million people who still do not have electricity prior to 2020. While the foregoing strategy is focused on developing countries, Iberdrola is also aware that there are problems of social and economic vulnerability in developed countries that prevent certain groups, despite having physical access to electricity, from having the economic capacity to pay for electricity and/or gas, among other basic services. Therefore, Iberdrola has established lines of collaboration with the government authorities responsible for social welfare systems in order to avoid cutting electricity supply to such vulnerable groups.

2. Shareholder Engagement

The Company has been a pioneer in encouraging the effective engagement of its shareholders in corporate life, and believes it of fundamental importance to be a leader in this area. The Company has thus created a Shareholder Engagement Policy, which establishes the mechanisms and appropriate guarantees for this purpose. This policy was approved by the Board of Directors based on the proposals of a working committee made up of representatives of the Company, of significant European shareholder associations, and of professionals with special qualifications and experience in corporate governance.

It establishes a framework for relations between the Company and its shareholders based on transparency, which sufficiently protects the shareholders’ right to information with full respect for the principle of equal treatment of all those who are in identical conditions, which encourages their informed participation at the General Shareholders’ Meeting,
energises their activities, and which includes the most advanced international practices in this area. For example, the Company has a system of personal passwords that allows for the convenient and easy exercise of the rights to information and remote participation in the General Shareholders’ Meeting in a comfortable and easy manner. The Company also has a policy on paying an attendance bonus that significantly motivates participation at all general shareholders’ meetings.

Along these lines, the General Shareholders’ Meeting is held within the framework of Shareholder Day, a day that allows for involving the shareholders in the business, corporate and institutional reality of Iberdrola, fostering interaction between the Company and its shareholders, and encouraging their involvement in corporate life. In turn, this event takes place as part of the Shareholder Week activities, during which multiple social and cultural activities are organised.

Iberdrola was the first electric company, among the ten largest in the world, to accredit compliance with the ISO 20121 standard regarding sustainable event management systems, and the Basque Government, through the state-owned company Ihobe, awarded it the “Erronka Garbia” environmental seal, which certifies the exemplary conduct of the Company in key aspects of sustainability in the organisation of the 2016 General Shareholders’ Meeting. The Company has also opened more than twenty channels of communication with significant significant potential for achieving the effective engagement of the shareholders. These include the pioneering interactive OLS (On-Line Shareholders) system and the mobile app IBERDROLA Investor Relations, which permits continuous and permanent information for the shareholders, not just on occasion of the call to the general shareholders’ meetings.

The high level of development of the Corporate Governance System and the good governance practices implemented by the Company, particularly in the area of the lists of information to and communication with its shareholders, place it in a quite advantageous and noteworthy position to successfully meet the challenge of engagement, which is a new milestone in the evolution of the model for relations between the Company and its shareholders.

For its part, the Company trusts that shareholders will exercise their rights and perform their duties in a loyal manner, in good faith, and transparently, in order to further the corporate interest, which prevails over their respective individual interests, and in accordance with the Corporate Governance System.

3. Commitment to the Legitimate Interests of Other Stakeholders

The By-Laws provide that the Company and the Group must seek to achieve the corporate interests taking into consideration other legitimate public or private interests that converge within its business activities and institutional reality, and particularly those of the various communities and regions in which Iberdrola does business, those of its employees, and those of the other stakeholders linked to the Group.

As to the last of these groups, the companies of the Group try to engage them in their business enterprise, maintaining a continuous and constructive dialogue with them in order to know their expectations and to build strong bonds, thereby generating trust and forging a sense of belonging to an excellent company of which they feel they are an integral part.

For these purposes, the Company has a Stakeholder Relations Policy intended to foster a framework of relations that favours the engagement of this group in the businesses and activities of the Group through an efficient instrument of coordination. This policy includes proposals for improvement made by a working group created specifically for such purpose with the participation of Company representatives and experts in corporate governance and social responsibility.

4. Plural and Balanced Composition of the Board of Directors

The composition of Board of Directors of the Company has been designed to be most appropriate to the needs created by the various businesses and markets in which the Group does business, encouraging the presence of women just as it does at all executive levels. Currently, more than one third of the members are female directors, and the chairs of the four consultative committees as well as the lead independent director are women. It also encourages a laddered and orderly renewal of this body, with a specific succession plan for non-executive directors, which encourages the submission to an annual vote at the General Shareholders’ Meeting of the appointment or re-election of approximately one fourth of its members.

As for the standards governing the composition of the Board of Directors, the following aspects deserve particular mention:
a) The selection of candidates for the position of director based on a wide array of objective and verifiable pre-determined standards in the Director Candidate Selection Policy, including their professional qualifications, experience, origin and personal qualities.

b) The existence of a specialised Appointments Committee that supports the Board of Directors in the candidate selection process and the appointment, evaluation, and removal of directors, which is made up exclusively of non-executive directors and chaired by a lead independent director.

c) The establishment of procedures for continuous evaluation of the Board of Directors and of all of its members, led by the Appointments Committee with the participation of experts from outside the Group, ensuring the respectability, expertise, competence, experience, qualifications, training, and availability of the directors and commitment to their role.

All of this results in a balanced Board of Directors, made up of a large majority of independent directors with high professional qualifications and a broad diversity of knowledge, origin, and gender. This, coupled with the dedication required of its members, ensures that the Board of Directors is a truly effective governance body.

5. A Corporate and Governance Structure that Combines Decentralised Management with Proper Coordination at the Group Level

The corporate structure of the Group is made up of the Company, country subholding companies, and head of business companies.

The Company, which only performs the functions of a holding company, is the entity that owns the equity stakes in the country subholding companies. Each country subholding company, in turn, groups together the energy head of business companies that conduct their activities in each country in which the Group operates. The Group also has country subholding companies that hold certain interests in other entities, including those of the non-energy head of business companies. One of the main functions of the country subholding companies is to centralise the provision of services common to such companies, always in accordance with the provisions of applicable law.

This corporate structure, which is successfully implemented in Spain, Mexico, Brazil, and the United Kingdom, favours an agile and rapid decision-making process in day-to-day management corresponding to the head of business companies, while at the same time achieving appropriate coordination at the Group level in the performance of the supervisory duties of the country subholding companies and of Iberdrola.

In the United States of America, the Company holds a majority interest in Avangrid, Inc., a country subholding company listed on the New York Stock Exchange. For this company, the Corporate Governance System contemplates a special framework of strengthened autonomy that properly protects the interests of its minority shareholders, intensifying the monitoring of related-party transactions with the other companies of the Group, and providing it with a higher level of independence in the coordination of the companies in which it holds an interest and the management of its businesses.

In turn, the governance of the Company and the Group conforms to the structure described above and duly separates the duties relating to strategy, oversight, and control of the Group as a whole, the duties of organisation and coordination of the energy businesses in each country and the multinational non-energy businesses, and those of day-to-day administration and effective management of each business, and which is articulated on the following basis:

a) The Board of Directors of the Company is vested with powers relating to the establishment of the Group’s policies and strategies and of the basic guidelines for the management thereof, as well as general oversight of the development of such policies, strategies, and guidelines and of decisions on matters that are strategically significant at the Group level.

b) The chairman of the Board of Directors & chief executive officer of the Company, with the technical support of the Operating Committee, the Business CEO, and the rest of the management team, assumes the duty of organisation and coordination of the Group through the dissemination, implementation, and monitoring of the overall strategy and of the basic management guidelines established by the Board of Directors.

c) This organisation and coordination duty is strengthened through the boards of directors of country subholding companies, which include independent directors, and their own audit committees, internal audit areas, and compliance units or divisions.

d) The head of business companies of the Group assume decentralised executive responsibilities, enjoy the independence necessary to carry out the day-to-day administration and effective management of each of the businesses,
and are responsible for the day-to-day control thereof. These companies are organised through their respective boards of directors and their own management bodies.

The corporate and governance structure of the Group described above operates jointly with the Group’s Business Model, which entails the global integration of the businesses and aims to achieve maximum operational efficiency of the various units. The Business Model ensures the dissemination, implementation, and monitoring of the overall strategy and the basic management guidelines established for each business, primarily through the exchange of best practices among the various companies of the Group, without detracting from their independence in decision-making. In any event, the Company and the Group assume the legally established commitments in connection with the legal and functional separation of regulated companies, while the country subholding companies are responsible for ensuring compliance with the legal provisions on this issue.

6. Dedication of the Board of Directors to Setting the Strategy of the Company and of the Group

The Corporate Governance System provides that Iberdrola’s Board of Directors must dedicate a significant portion of its time and attention to the strategic planning of the Company and of the Group. Pursuant to the provisions of the Regulations of the Board of Directors, it must focus its activities on the supervision, organisation, and strategic coordination of the Group, and particularly on defining the risk level that it is willing to assume.

The corporate and governance structure of the Group is key for the Board of Directors to be able to comply with this task in an effective manner, sharply differentiating the duties associated with the day-to-day management of the businesses from those for which the Company’s Board of Directors is responsible, i.e. those relating to the Group’s strategy.

Along these lines, the four consultative committees created within the Board of Directors - the Audit and Risk Supervision Committee, the Appointments Committee, the Remuneration Committee, and the Corporate Social Responsibility Committee -, made up exclusively of non-executive directors, is a key support for the performance of its activities, and together with the work of the Executive Committee, the chairman & chief executive officer, and the management team of the Company, allows the Board of Directors to focus its attention on strategic leadership.

7. An Efficient System of Checks and Balances

The corporate and governance structure of the Group is designed such that management power is no centralised within a single governance body or a single person, but rather is decentralised among the boards of directors of the head of business companies, the Company’s main function being the supervision, organisation, and strategic coordination of the Group. The foregoing is also strengthened with the existence of country subholding companies in those countries and businesses in which the Board of Directors of the Company has so decided.

The Corporate Governance System also provides the measures necessary to ensure that neither the chairman of the Board of Directors & chief executive officer nor the Executive Committee have a decision-making power that is not subject to appropriate checks and balances, as well as the measures to ensure that both are under the effective supervision of the Board of Directors.

For its part, the Board of Directors is made up of an ample majority of independent directors, and all of the consultative committees are made up entirely of non-executive directors. In addition, the appointment of an executive director as chairman of the Board of Directors requires a favourable vote of at least two-thirds of its members.

Furthermore, the role of lead independent director, the powers of which are significantly strengthened by the By-Laws, beyond those required by law, serves as an effective counterbalance to the chairman when he has the status of executive director, ensuring that the activities thereof are subject to proper controls.

Specifically, the lead independent director is called upon to play a key role in the evaluation, re-election, and succession plan of the chairman that the Board of Directors has approved and publicised as an annex to the General Corporate Governance Policy.

The effective application of this system of checks and balances is verified on an annual basis as part of the evaluation of the operation of the Board of Directors. A prestigious international firm collaborates in said evaluation, the collections of which are set forth in a report.

8. Prudent and Balanced Management of Risks

The Board of Directors of the Company works so that the significant corporate risks to all the activities and businesses of the Group are adequately identified, measured, managed, and controlled, using the General Risk Control and
Management Policy to establish the mechanisms and basic principles for appropriate management of the risk/opportunity ratio. The goal is to maintain a risk level that allows for achievement of the strategic goals determined by the Group with controlled volatility, protecting the Group's results and reputation and ensuring corporate stability and financial strength on a sustained basis over time.

For this purpose, the Board of Directors and its Executive Committee have the cooperation of the Audit and Risk Supervision Committee, which, as a consultative body, monitors and reports upon the appropriateness of the system for assessment and internal control of significant risks, acting in coordination with the audit and compliance committees existing at other companies of the Group.

The Audit and Risk Supervision Committee reports in turn to the Company’s Internal Audit Area, an independent body that proactively seeks to ensure the proper operation of the information technology and internal control and risk management systems of the Company.

Iberdrola’s General Risk Control and Management Policy is further developed and supplemented by the Corporate Risk Policies and the Specific Risk Policies, which are approved and reviewed on an annual basis by the Board of Directors. All of this ensures that the strategy on risk assumption by the companies of the Group is properly coordinated and is consistent with the general guidelines decided upon by the Board of Directors.

9. Proactive Regulatory Compliance Function

The Company is permanently committed to the application of ethical corporate governance practices and to the maintenance, development, and monitoring of effective compliance policies. In addition, the Group makes an commitment to continuously monitor and to punish fraudulent acts and conduct, to implement and develop effective mechanisms to communicate with and raise the awareness of all professionals, and to develop a corporate culture based on ethics and honesty, for which purpose it has effective and updated policies and programmes in place to prevent crimes and combat fraud, and which apply to all levels of the organisation, including the members of the Board of Directors.

To this end, the Company has a Compliance Unit that reports to the Corporate Social Responsibility Committee and proactively ensures regulatory compliance, and which is configured in accordance with the Corporate Governance System. The Compliance Unit has the broadest powers, budgetary autonomy and independence of action to meet its goals.

Books of the Corporate Governance System

The Company's Corporate Governance System is structured into five books:

**Book One - By-Laws:** establish Iberdrola’s commitment to social return and to its corporate values, lay out the basic general principles that must govern its conduct, and regulate the basic organisational aspects thereof.

**Book Two - Mission, Vision, and Values of the Iberdrola group:** contains 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.

**Book Three - Corporate Policies:** which further develop the principles on which the Company’s Corporate Governance System is based and the guidelines that govern the actions of the Company and the companies belonging to the Group, as well as those of their directors, officers, and professionals. The Corporate Policies are structured into three categories: the Corporate Governance and Regulatory Compliance Policies, the Risk Policies and the Social Responsibility Policies.

**Book Four - Internal Corporate Governance Rules:** groups the regulations establishing, among other things, the composition, powers, and rules of operation of certain collective corporate decision-making bodies of the Company. They include the Regulations for the General Shareholders’ Meeting, the Regulations of the Board of Directors, the Regulations of the Audit and Risk Supervision Committee, the Regulations of the Appointments Committee, the Regulations of the Remuneration Committee, and the Regulations of the Corporate Social Responsibility Committee.

**Book Five - Other Internal Codes and Procedures:** gathers together the internal regulations required or recommended by industry provisions or issued for the implementation of the above rules, approved by the competent bodies of the Company.

This book includes Directors’ Code of Ethics, the Code of Ethics, the Regulations of the Compliance Unit, the Procedure for Conflicts of Interest and Related-Party Transactions with Directors, Significant Shareholders, and Senior Officers, the Internal Regulations for Conduct in the Securities Markets, the Internal Rules for the Processing of Non-Public In-
formation, the Summary of the Action Protocol for Investigating Possible Unlawful Uses of Non-Public Information, the Action Protocol for the Management of News and Rumours, the Regulations for the Electronic Shareholders’ Forum, and the Internal Rules on Composition and Duties of the Operating Committee.

**Dissemination**

The Company believes that the goal of ongoing development, review, and improvement of its Corporate Governance System must go hand in hand with the use of the most technologically advanced systems of dissemination that are respectful of the environment. Therefore, the full text or a summary of the documents that make up the Company’s Corporate Governance System is available on the corporate website. They are also published as an eBook, in the standard ePub format, such that they can be read through the most widely used electronic tools, including computers, e-readers, tablets, smartphones, and PDAs, and can be downloaded to the various peripherals via the Company’s corporate website (www.iberdrola.com).

**External Advice**

In order to further improve and continually update the Corporate Governance System, the Company draws on the external advice of the law firms “CMS Albiñana & Suárez de Lezo”, “Cortés, Abogados”, “Garrigues”, and “Uría Menéndez”.

Bilbao, 8 April 2016
The Board of Directors of IBERDROLA, S.A.
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26 April 2016
PRELIMINARY TITLE. IBERDROLA, S.A. AND ITS GROUP

Article 1. Company Name
The name of the company is IBERDROLA, S.A. (the “Company”).

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

Article 3. Duration
The duration of the Company is indefinite, its operations having commenced on 19 July 1901, the date of formalisation of its deed of incorporation.

Article 4. The Iberdrola Group
1. The Company is configured as a listed holding company and is the controlling entity of a multinational group of companies (the “Group”).
2. The corporate and governance structure of the Company is defined based on the following:
   a) The Company has duties relating to the establishment, supervision, and implementation of the policies and strategies of the Group, of the basic guidelines for the management thereof, and of decisions on matters of strategic importance at the Group level, as well as the design of the Corporate Governance System.
   b) The country subholding companies carry out the function of organisation and strategic coordination in those countries and at those businesses decided by the Company’s Board of Directors.
   These entities group together equity stakes in the energy head of business companies within the various countries in which the Group does business. The Group also has a country subholding company for the non-energy head of business companies, which do business in various countries.
   Country subholding companies are responsible for disseminating, implementing, and ensuring compliance with the policies, strategies, and general guidelines of the Group in each of the countries in which it operates, taking into account the characteristics and unique aspects thereof.
   The listed country subholding companies of the Group enjoy a special framework of strengthened autonomy that contemplates the measures that are appropriate to safeguard the interests of the minority shareholders of said companies.
   c) Finally, the head of business companies of the Group are in charge of the day-to-day administration and effective management of each of the Group’s businesses within one or more countries, and of the day-to-day control thereof.
3. All companies of the Group share the same corporate interest as well as identical corporate values and ethical principles.

Article 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 services, as well as other gas storage, regasification, transportation, or distribution 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 6. Corporate Interest**

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

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

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

2. The Mission, Vision, and Values of the Iberdrola group inspires and takes form in the Corporate Policies and in the other rules of the Corporate Governance System, governing the day-to-day activities of all companies of the Group and guiding their strategy and all of their actions.

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

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

**Article 8. Applicable Legal Provisions and Corporate Governance System**

1. The Company is governed by the legal provisions relating to listed companies and other applicable laws and regulations, as well as by its Corporate Governance System.

2. The Corporate Governance System is the Company’s internal system of rules, which is configured in accordance with applicable law in the exercise of corporate autonomy supported thereby and applies to the entire Group. It is intended to ensure through rule-making the best development of the corporate object of the Company and the fulfilment of the corporate interest.

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

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

5. The shareholders acting at a General Shareholders’ Meeting and the Board of Directors of the Company, within their respective purview, develop, apply, and interpret the rules making up the Corporate Governance System in order to ensure compliance at all times with the purposes thereof and, particularly, the fulfilment of the corporate interest.

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

1. The Company and the other entities belonging to the Group seek to engage all stakeholders in its business enterprise in accordance with a policy on relations with all of them based on two-way communication and on principles of transparency, active listening, and equal treatment, which allows for all of their legitimate interests to be taken into consideration and to effectively disclose information regarding the activities and businesses of the Group. The Company’s Board of Directors is responsible for approving this policy and coordinating and supervising the application thereof.

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

**TITLE I. SHARE CAPITAL, AND ITS SHAREHOLDERS**

**Chapter I. Share Capital and Shares**

**Article 10. Share Capital**
The share capital is 4,680,000,000 euros, represented by 6,240,000,000 ordinary shares having a nominal value
of 0.75 euro each, belonging to a single class and series, which are fully subscribed and paid-up.

**Article 11. 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 increase in capital. The form and other circumstances of the payment shall
be governed by the provisions of the resolution approving the increase in capital, which may provide for cash as
well as non-cash contributions.

**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. 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.

**Article 13. Shareholder Engagement**
The Company shall foster continuous and appropriate 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 par-
ticipation through which the Company will foster their engagement with appropriate guarantees and coordination
mechanisms.

**Article 14. 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.
TITLE II. GENERAL SHAREHOLDERS’ MEETING

Article 15. General Shareholders’ Meeting
1. The shareholders, meeting at a General Shareholders’ Meeting, shall decide, by the majorities required in each case and in accordance with law and the Corporate Governance System, on the matters within their purview.
2. Resolutions that are duly adopted at a General Shareholders’ Meeting shall bind all shareholders, including shareholders who are absent, dissenting, abstain from voting, or lack the right to vote, without prejudice to the rights they may have to challenge such resolutions.
3. The General Shareholders’ Meeting is governed by the provisions of law, these By-Laws, the Regulations for the General Shareholders’ Meeting, other applicable provisions of the Corporate Governance System, and other implementing rules approved by the Board of Directors within its purview.

Article 16. Shareholder Participation
The Board of Directors shall adopt appropriate measures to encourage maximum participation of the shareholders at the General Shareholders’ Meeting, including, if appropriate, the payment of attendance bonuses pursuant to a predefined and public policy.

Article 17. Powers of the Shareholders Acting at a General Shareholders’ Meeting
1. The shareholders acting at a General Shareholders’ Meeting shall decide the matters assigned thereto by law, the Regulations for the General Shareholders’ Meeting, or other rules of the Corporate Governance System, and particularly regarding the following:
   a) The approval of the annual accounts, the allocation of profits or losses, and the approval of corporate management.
   b) The appointment, re-election, and removal of directors, as well as the ratification of directors designated by interim appointment to fill vacancies.
   c) The approval of the director remuneration policy.
   d) The approval of the establishment of systems for remuneration of the Company’s directors consisting of the delivery of shares or of rights therein or remuneration based on the value of the shares.
   e) Releasing the directors from the prohibitions arising from the duty of loyalty, when authorisation is attributed by law to the shareholders acting at a General Shareholders’ Meeting, as well as from the obligation not to compete with the Company.
   f) The appointment, re-election, and removal of the auditors.
   g) The amendment of these By-Laws.
   h) An increase or reduction in share capital.
   i) The delegation to the Board of Directors of the power to increase share capital, in which case it may also grant thereto the power to exclude or limit pre-emptive rights, upon the terms established by law.
   j) The delegation to the Board of Directors of the power to carry out an increase in capital already approved by the shareholders at a General Shareholders’ Meeting, within the periods set forth by law, indicating the date or dates of execution and establishing the conditions for the increase as to all matters not provided for by the shareholders. In this case, the Board of Directors may make use of such delegation in whole or in part, or may refrain from using it, in view of market conditions or the condition of the Company itself, or of particularly relevant facts or circumstances that justify such decision, and shall report thereon to the shareholders at the first General Shareholders’ Meeting held after the end of the period granted for the use of such delegation.
   k) The exclusion or limitation of pre-emptive rights.
   l) The authorisation for the derivative acquisition of the Company’s own shares.
   m) The transformation, merger, split-off, or overall assignment of assets and liabilities, and the transfer of the registered office abroad.
   n) The dissolution of the Company and the appointment and removal of the liquidators.
   o) The approval of the final liquidating balance sheet.
   p) The issuance of debentures and other negotiable securities and the delegation to the Board of Directors of the power to issue them, as well as the power to exclude or limit pre-emptive rights, upon the terms established by law.
   q) The exercise of derivative liability actions against directors, auditors, and liquidators.
r) The approval and amendment of the Regulations for the General Shareholders’ Meeting.
s) The transfer to controlled entities of core activities that were previously carried out by the Company itself, while maintaining full control thereof.
t) The acquisition, transfer, or contribution of key assets from or to another company.
u) The approval of transactions having an effect equivalent to liquidation of the Company.

2. The shareholders at a General Shareholders’ Meeting shall also decide on any matter that the Board of Directors or shareholders submit for the consideration thereof, upon the terms and with the requirements established by law and the Company’s Corporate Governance System.

Article 18. Call to the General Shareholders’ Meeting
1. The General Shareholders’ Meeting must be formally called by the Board of Directors through an announcement published as much in advance as required by law.
2. The announcement of the call to meeting shall be disseminated through the following media, at a minimum:
a) The Official Gazette of the Commercial Registry (Boletín Oficial del Registro Mercantil) or one of the more widely circulated newspapers in Spain.
b) The website of the National Securities Market Commission (Comisión Nacional del Mercado de Valores).
c) The Company’s corporate website.

Article 19. Shareholders’ Right to Receive Information
1. From the date of publication of the call to the General Shareholders’ Meeting through and including the fifth day prior to the date set for the meeting to be held on first call, the shareholders may request in writing the information or clarifications that they deem are required, or ask the written questions that they deem relevant, regarding (i) the matters contained in the agenda for the meeting; (ii) information accessible to the public that has been provided by the Company to the National Securities Market Commission since the holding of the last General Shareholders’ Meeting, and (iii) the audit report.
2. During the course of the General Shareholders’ Meeting, the shareholders may verbally request the information or clarifications that they deem appropriate regarding the matters set forth in the preceding section.
3. The Board of Directors shall be required to provide the information requested pursuant to the two preceding sections in the form and within the periods set forth in the law, in these By-Laws, and in the Regulations for the General Shareholders’ Meeting, except in cases in which it is unnecessary for the protection of shareholder rights, there are objective reasons to believe that it might be used for ultra vires purposes, or that publication of the information might prejudice the Company or related companies. The information requested may not be denied if the request is supported by shareholders representing at least twenty-five per cent of the share capital.
4. The announcement of the call to the General Shareholders’ Meeting shall state the means whereby any shareholder may obtain from the Company, without charge and on an immediate basis, the documents that must be submitted for the approval of the shareholders at such General Shareholders’ Meeting, as well as, if applicable, the management report and the audit report.
5. The Company shall make available to its shareholders the information and documentation required by the provisions of law and the Corporate Governance System.

Article 20. Place of the Meeting
The General Shareholders’ Meeting shall be held at the place indicated in the call to meeting within the municipal territory of Bilbao.

Article 21. Establishment of a Quorum for the General Shareholders’ Meeting
1. The General Shareholders’ Meeting shall be validly established with the minimum quorum required by law, taking into account the matters appearing on the agenda.
2. Notwithstanding the provisions of the preceding section, shareholders representing two-thirds of subscribed share capital with voting rights must be in attendance at the first call to the General Shareholders’ Meeting, and shareholders representing sixty per cent of such share capital must be in attendance at the second call, in order to adopt resolutions regarding a change in the object of the Company, transformation, total split-off, dissolution of the Company, and the amendment of this section 2.
3. The absence of shareholders occurring once a quorum for the General Shareholders’ Meeting has been established shall not affect the validity of the meeting.
4. If the attendance of shareholders representing a particular minimum percentage of share capital or the consent of specific interested shareholders is required pursuant to law or the Corporate Governance System in order to adopt a resolution regarding one or more items on the agenda, and such percentage is not reached or such shareholders are not present in person or by proxy, the shareholders at the General Shareholders’ Meeting shall limit themselves to deliberating and deciding on those items on the agenda that do not require such percentage of share capital or the consent of such shareholders.

Article 22. Right to Attend
1. The holders of at least one voting share may attend the General Shareholders’ Meeting and take part in deliberations thereof, with the right to be heard and to vote.
2. The General Shareholders’ Meeting may be attended by going to the place where the meeting is held or, if so indicated in the call to meeting, to other places provided for such purpose by the Company and that are connected with the principal meeting place by systems that allow recognition and identification of the parties attending, permanent communication among the attendees regardless of their location, and participation and voting, all in real time. Attendees at any of such places shall be considered to be attendees at the same individual meeting, which shall be deemed to have been held at the principal location thereof.
3. In order to exercise the right to attend, shareholders must cause the shares to be registered in their name in the corresponding book-entry register at least five days prior to the day on which the General Shareholders’ Meeting is to be held.
4. The chair of the General Shareholders’ Meeting may authorise the attendance of officers, employees, and other persons related to the Company. The chair may also grant access to the media, to financial analysts, and to any other person the chair deems appropriate, as well as authorise the simultaneous or delayed broadcast thereof, although the shareholders acting thereat may revoke such authorisation.

Article 23. Right to Proxy Representation
1. All shareholders having the right to attend may be represented at the General Shareholders’ Meeting by proxy through another person, whether or not such person is a shareholder, by complying with the requirements of law and the Corporate Governance System.
2. Proxies must be given in writing or by postal or electronic correspondence, in which case the provisions of article 27 below for the casting of absentee votes shall apply to the extent applicable.
3. Proxy and voting instructions of shareholders acting through brokers, representatives, or depositaries shall be governed by the provisions of law and the Corporate Governance System.
4. In cases of absence of identification of the proxy-holder, absence of express instructions for the exercise of voting rights, submission of items not included on the agenda of the call to the General Shareholders’ Meeting, or a conflict of interest affecting the proxy-holder, the rules established in this regard in the Corporate Governance System shall apply.
5. The chair of and the secretary for the General Shareholders’ Meeting, from the constitution thereof, and the persons acting by delegation from either of them, shall be responsible for verifying the identity of the shareholders and their representatives, verifying the ownership and status of their rights, and recognising the validity of the attendance, proxy, and absentee voting card or the instrument evidencing attendance or representation by proxy.

Article 24. Presiding Committee, Chair of, and Secretary for the General Shareholders’ Meeting
1. The Presiding Committee (Mesa) of the General Shareholders’ Meeting shall be made up of the chair of and the secretary for the General Shareholders’ Meeting and the other members of the Board of Directors present at the meeting. Without prejudice to other powers that may be assigned thereto by these By-Laws or the Corporate Governance System, the Presiding Committee shall assist the chair of the General Shareholders’ Meeting in carrying out the duties thereof.
2. The chairman of the Board of Directors or, in the absence thereof, the vice-chair, shall act as chair of the General Shareholders’ Meeting. If there are several vice-chairs, they shall act in the order set forth in article 42.6 below. In the absence of all of the foregoing, the person appointed by the Presiding Committee shall act as chair of the General Shareholders’ Meeting.
3. The secretary of the Board of Directors or, in the absence thereof, the deputy secretary, shall act as secretary for the General Shareholders’ Meeting. If there are several deputy secretaries, the order set forth in article 44.2 below
shall apply. In the absence of all of the foregoing, the person appointed by the Presiding Committee shall act as secretary for the General Shareholders’ Meeting.

Article 25. List of Attendees
1. Prior to beginning with the agenda for the meeting, a list of attendees shall be prepared that sets forth the nature or representation of each attendee and the number of shares they own or represent by proxy.
2. Questions or claims arising with respect to preparation of the list of attendees and compliance with the requirements for a valid quorum at the General Shareholders’ Meeting shall be resolved by the chair thereof.

Article 26. Deliberations and Voting
1. The chair of the General Shareholders’ Meeting shall: direct the meeting; accept new proposed resolutions relating to matters on the agenda; organise the deliberations, granting the floor to shareholders who so request it and taking the floor away or refusing to grant it when the chair deems that a particular matter has been sufficiently debated, is not included in the agenda, or hinders the progress of the meeting; indicate the time and establish, pursuant to the Regulations for the General Shareholders’ Meeting, the system or procedure for voting; decide on the suspension or limitation of political rights, especially the voting rights attaching to shares pursuant to law and these By-Laws; approve the polling and vote counting system; proclaim the voting results; temporarily suspend or propose an extension of the General Shareholders’ Meeting; close the meeting; and, in general, exercise all powers, including those of order and discipline, that are required to properly hold the proceedings.
2. The chair of the General Shareholders’ Meeting may entrust the management of the meeting to a director the chair deems appropriate, or to the secretary for the General Shareholders’ Meeting, who shall carry out this duty on behalf of the chair, with the chair having the right to retake it at any time. In the event of temporary absence or supervening incapacity of the chair of or the secretary for the General Shareholders’ Meeting, the appropriate persons under sections 2 and 3 of article 24, respectively, shall assume the duties thereof.
3. Proposed resolutions shall be voted upon by the shareholders at the General Shareholders’ Meeting pursuant to the provisions of the following articles and the Regulations for the General Shareholders’ Meeting.

Article 27. Absentee Voting
1. Shareholders may cast their absentee vote on proposed resolutions relating to the items on the agenda of the call to meeting by complying with the requirements of law and the Corporate Governance System.
2. Shareholders that have cast their absentee vote shall be deemed present for purposes of the establishment of a quorum for the General Shareholders’ Meeting.
3. Absentee votes must be received by the Company before 24:00 on the day immediately prior to the day set for the holding of the General Shareholders’ Meeting upon first call or upon second call, as applicable.
4. The Board of Directors is authorised to develop the rules, means, and procedures for absentee voting, including applicable rules on priority and conflict. Specifically, the Board of Directors may reduce the advance period set forth in section 3 above for receipt by the Company of absentee votes, and accept and authorise the chair of and the secretary for the General Shareholders’ Meeting and the persons acting by delegation therefrom to accept, any absentee votes received after such period, to the extent permitted by the means available.
5. The chair of and the secretary for the General Shareholders’ Meeting, from the constitution thereof, and the persons acting by delegation from either of them, shall be responsible for verifying and recognising the validity of the absentee votes cast in accordance with the provisions set forth in the Corporate Governance System and the rules established by the Board of Directors in implementation thereof.
6. Remote attendance at the General Shareholders’ Meeting by data transmission and simultaneous means and the casting of electronic absentee votes during the course of the General Shareholders’ Meeting may be allowed if provided for in the Regulations for the General Shareholders’ Meeting, subject to the requirements set forth therein.

Article 28. Conflicts of Interest
1. A shareholder may not exercise the shareholder’s right to vote at a General Shareholders’ Meeting, either in person or by proxy, with respect to the adoption of a resolution to:
   a) Relieve the shareholder of an obligation or grant the shareholder a right.
   b) Provide the shareholder with any kind of financial assistance, including the provision of guarantees in favour thereof.
c) Release the shareholder, if a director, from obligations arising from the duty of loyalty established in accordance with the provisions of law.

2. The provisions of the preceding section shall also apply when the resolutions affect, in the case of an individual shareholder, the entities or companies controlled thereby, and in the case of corporate shareholders, the entities or companies belonging to their group (in the sense indicated in article 29.3 below), even if these latter companies or entities are not shareholders.

3. If the shareholder subject to any of the voting prohibitions above attends the General Shareholders’ Meeting, such shareholder’s shares shall be deducted from those in attendance for purposes of determining the number of shares upon which the majority needed for the adoption of the relevant resolutions shall be calculated.

**Article 29. Approval of Resolutions**

1. Except in cases in which the law or these By-Laws require a greater majority, the shareholders acting at a General Shareholders’ Meeting shall adopt resolutions by simple majority of the shareholders present in person or by proxy, with a resolution being deemed adopted when it receives more votes in favour than against. Each voting share that is represented in person or by proxy at the General Shareholders’ Meeting shall give the right to one vote.

2. No shareholder may cast a number of votes greater than those corresponding to shares representing ten (10%) per cent of share capital, even if the number of shares held exceeds such percentage of the share capital. This limitation does not affect votes corresponding to shares with respect to which a shareholder is holding a proxy as a result of the provisions of article 23 above, provided, however, that with respect to the number of votes corresponding to the shares of each shareholder represented by proxy, the limitation set forth above shall apply.

3. The limitation set forth in the preceding section shall also apply to the maximum number of votes that may be collectively or individually cast by two or more shareholders that are entities or companies belonging to the same group. Such limitation shall also apply to the number of votes that may be cast collectively or individually by an individual and the shareholder entity, entities, or companies controlled by such individual. A group shall be deemed to exist under the circumstances provided by law, and also when a person controls one or more entities or companies.

4. Shares deprived of voting rights pursuant to the application of the preceding sections shall be deducted from the shares in attendance at the General Shareholders’ Meeting for purposes of determining the number of shares upon which the majorities needed for the approval of resolutions by the shareholders at a General Shareholders’ Meeting shall be calculated.

**TITLE III. MANAGEMENT OF THE COMPANY**

**Chapter I. General Provisions**

**Article 30. Management and Representation of the Company**

1. The Company is managed and represented by the Board of Directors, its chairman, and, if applicable and if so approved by the Board of Directors, by an executive committee called the Executive Committee (Comisión Ejecutiva Delegada) and, also if so decided by the Board of Directors, by one or more chief executive officers (consejeros delegados).

2. Each of these bodies shall have the powers set forth in these By-Laws, the Regulations of the Board of Directors, and other applicable provisions of the Corporate Governance System, without prejudice to the provisions of law.

**Chapter II. Board of Directors**

**Article 31. Regulation of the Board of Directors**

The Board of Directors shall be governed by the provisions set forth in the law, these By-Laws, the Regulations of the Board of Directors, and the other applicable provisions of 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 subsidiaries and by the head of business companies of the Group, establishing appropriate mechanisms of coordination and exchange of information in the interest of the Company and of the companies belonging thereto.

c) Decide on matters of strategic importance at the Group level.

3. The Board of Directors shall generally entrust to its chairman, to the chief executive officers, and to the senior officers the dissemination, coordination, and general implementation of the Group's management guidelines, acting in furtherance of the interests of each and every one of the companies belonging thereto.

4. The Board of Directors shall design, evaluate, and review the Corporate Governance System on an ongoing basis. It shall approve the Mission, Vision, and Values of the Iberdrola group and shall pay special attention to the approval and updating of the Corporate Policies, which further develop the principles reflected in these By-Laws and in the other provisions of the Corporate Governance System and codify the guidelines that should govern the activities of the Company, its shareholders, and the Group.

5. The Regulations of the Board of Directors shall specify the powers reserved to such body, which may not be entrusted to the representative decision-making bodies or to the senior management of the Company.

Article 33. Composition of the Board of Directors and Appointment of Directors

1. The Board of Directors shall be composed of a minimum of nine and a maximum of fourteen directors, who shall be appointed or ratified by the shareholders acting at a General Shareholders' Meeting, subject to the provisions of law and the requirements established by the Corporate Governance System.

2. The determination of the number of directors shall be within the purview of the shareholders acting at a General Shareholders' Meeting, for which purpose the shareholders may establish such number either by express resolution or indirectly through the filling or non-filling of vacancies or the appointment of new directors within the aforesaid minimum and maximum numbers.

3. The following may not be appointed as directors or as individuals representing a corporate director:

   a) Domestic or foreign companies competing with the Company in the energy industry or other industries, or the directors or senior officers thereof, or such persons, if any, as are proposed by them in their capacity as shareholders.

   b) Individuals or legal entities serving as directors in more than three companies with shares trading on domestic or foreign stock exchanges.

   c) Persons who, during the two years prior to their appointment, have occupied high-level positions in Spanish government administrations that are incompatible with the simultaneous performance of the duties of a director of a listed company under Spanish national or autonomous community law, or positions of responsibility with entities regulating the energy industry, the securities markets, or other industries in which the Group operates.

   d) Individuals or legal entities that are under any other circumstance of disqualification or prohibition governed by provisions of a general nature, including those that have interests in any way opposed to those of the Company or the Group.

4. The appointment, ratification, re-election, and removal of directors must comply with the provisions of law and the Corporate Governance System. Resolutions proposed to the shareholders at a General Shareholders' Meeting regarding the appointment, ratification, and re-election of directors must be accompanied by a report providing the rationale for the proposal.

Article 34. Types of Directors

1. Those directors who perform management duties within the Company or its Group, whatever the legal relationship they maintain, shall be deemed executive directors.

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

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

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 35. Meetings of the Board of Directors**

1. The Board of Directors shall meet with the frequency that the chairman of the Board of Directors deems appropriate, and at least the number of times and in the cases provided for by law and the Regulations of the Board of Directors. Meetings shall take place at the Company’s registered office or at the place, in Spain or abroad, indicated in the call to meeting, which shall be made in accordance with the provisions of law and the Corporate Governance System.

2. Without prejudice to the foregoing, the Board of Directors shall be deemed to have validly met without the need for a call to meeting if all of the directors are present in person or by proxy and unanimously agree to hold the meeting and to the items of the agenda to be dealt with thereat.

**Article 36. Quorum for the Meeting and Majorities Required to Adopt Resolutions**

1. The establishment of a quorum within the Board of Directors and the adoption of resolutions thereby shall require the attendance at the meeting, in person or by proxy, of a majority of the directors.

2. All of the directors may cast their vote and give their proxy in favour of another director, provided, however, that non-executive directors may only do so in favour of another non-executive director. The proxy granted shall be a special proxy for the Board meeting in question and may be communicated by any means allowing for the receipt thereof.

3. The chairman of the Board of Directors, as the person responsible for the efficient operation thereof, shall stimulate the debate and active participation of the directors during its meetings, safeguarding their freedom to make decisions and express their opinion.

4. Unless higher majorities are provided for by law or the Corporate Governance System, resolutions shall be adopted by absolute majority of votes cast in person or by proxy at the meeting. In the event of a tie, the chairman of the Board of Directors shall have the tie-breaking vote.

5. The chairman of the Board of Directors may invite to meetings all those persons who might contribute to improving the information provided to the directors.
Chapter III. Committees and Positions within the Board of Directors

Article 37. Committees of the Board of Directors
1. The Board of Directors must have an Audit and Risk Supervision Committee, an Appointments Committee, and a Remuneration Committee (or a single Appointments and Remuneration Committee), on a permanent basis.
2. The Board of Directors may also have an executive committee, called the Executive Committee (Comisión Ejecutiva Delegada), a consultative committee called the Corporate Social Responsibility Committee, and may create any other consultative committees with the powers that the Board of Directors determines, all of a voluntary nature.
3. The committees shall be governed by the provisions of the Corporate Governance System, including the specific regulations thereof, when available, which must be approved by the Board of Directors and, by way of supplement and to the extent not incompatible with the nature thereof, by the provisions regarding the operation of the Board of Directors.

Article 38. Executive Committee
1. If created, the Executive Committee shall have all the powers inherent to the Board of Directors, except for those powers that may not be delegated pursuant to law or the Corporate Governance System.
2. The Executive Committee shall be composed of the number of directors decided by the Board of Directors upon a proposal of the Appointments Committee, with a minimum of four and a maximum of eight.
3. The appointment of the members of the Executive Committee and the delegation of powers thereto shall be carried out by the Board of Directors with the favourable vote of at least two-thirds of the members thereof. The renewal thereof shall be carried out at the time and in the form and numbers decided by the Board of Directors with such majority.
4. The chairman of the Board of Directors and the chief executive officers shall in all cases form part of the Executive Committee.
5. Meetings of the Executive Committee shall be chaired by the chairman of the Board of Directors, and in the absence thereof, by one of the vice-chairs who are members of the Executive Committee, if any, or by the lead independent director (consejero coordinador), if a member of the Executive Committee. In the absence of all of the foregoing, they shall be chaired by the director member of the Executive Committee having the longest length of service in office, and if equal lengths of service, by the oldest. The secretary of the Board of Directors or, in the absence thereof, any of the deputy secretaries or, in the absence of all of them, the director that the Executive Committee appoints from among its members in attendance shall serve as secretary.
6. Resolutions of the Executive Committee shall be adopted by an absolute majority of votes cast in person or by proxy. In the event of a tie, the chair of the Executive Committee shall have the tie-breaking vote.

Article 39. Audit and Risk Supervision Committee
1. The Board of Directors shall create a permanent Audit and Risk Supervision Committee, an internal informational and consultative body without executive duties, with information, advisory, and proposal-making powers within its scope of action.
2. The Audit and Risk Supervision Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee from among the non-executive directors who are not members of the Executive Committee. A majority of such directors shall be independent.
3. The Board of Directors shall appoint a chair of the Audit and Risk Supervision Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director. The chair of the Audit and Risk Supervision Committee shall hold office for a maximum period of four years, after which period the chair may not be re-elected until the passage of at least one year from ceasing to act as such, without prejudice to the continuance or re-election thereof as a member of the committee.
4. The Audit and Risk Supervision Committee shall have the powers set forth in the Regulations of the Board of Directors and in its own regulations and in any event those established by law, except for that of reporting on related-party transactions, which power is assigned to the Appointments Committee.

Article 40. Appointments Committee and Remuneration Committee
1. The Board of Directors shall create a permanent Appointments Committee and a permanent Remuneration Committee (or a single Appointments and Remuneration Committee, in which case reference in these By-Laws to the
Appointments Committee and the Remuneration Committee shall be deemed made to the same committee), which shall be internal informational and consultative bodies without executive duties, with information, advisory, and proposal-making powers within their respective scopes of action.

2. The Appointments Committee and the Remuneration Committee shall each be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors, and the majority of their respective members must be classified as independent.

3. The Board of Directors shall appoint the chairs of both committees from among the independent directors forming part of each of them, as well as their secretaries, who need not be directors.

4. The Appointments Committee and the Remuneration Committee shall have the powers set forth in the Regulations of the Board of Directors and in their own regulations and in any event those established by law as well as those corresponding to each of them due to the nature thereof.

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

Article 41. Corporate Social Responsibility Committee

1. If created, the Corporate Social Responsibility Committee shall be deemed an internal informational and consultative body without executive duties, with information, advisory, and proposal-making powers within its scope of action.

2. The Corporate Social Responsibility Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors, and the majority thereof must be classified as independent.

3. The Board of Directors shall appoint a chair of the Corporate Social Responsibility Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director.

4. The Corporate Social Responsibility Committee shall have the powers set forth in the Regulations of the Board of Directors and in its own regulations.

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

1. The Board of Directors, following a report from the Appointments Committee, shall appoint a chairman from among its members. The Board of Directors may also appoint one or more honorary chairs of the Company.

2. The chairman of the Board of Directors shall have the status of president of the Company and of chair of all of the corporate decision-making bodies of which the chairman is a member, which he shall permanently represent with the broadest powers, having the duty to carry out the resolutions thereof and being authorised in urgent cases to adopt such measures as the chairman deems advisable in furtherance of the corporate interest.

3. The chairman of the Board of Directors undertakes the senior management and representation of the Company, as well as leadership of the Board of Directors.

4. The chairman of the Board of Directors exercises the powers conferred upon him by law and the Corporate Governance System, and particularly the following:
   a) To call and preside over meetings of the Board of Directors and the Executive Committee, setting the agenda for the meetings and directing the discussion and debate.
   b) To chair the General Shareholders’ Meeting and exercise thereat the duties attributed thereto by the Corporate Governance System.
   c) To bring to the Board of Directors those proposals that the chairman deems appropriate for the efficient running of the Company, particularly those corresponding to the operation of the Board of Directors itself and other governance decision-making bodies, as well as to propose the persons, if any, who will hold office as vice-chair, chief executive officer, secretary and deputy secretary of the Board of Directors and of the committees thereof, without prejudice to the reporting powers belonging to the Appointments Committee.
   d) To ensure, with the collaboration of the secretary of the Board of Directors, that the directors receive in advance information sufficient to deliberate on the items on the agenda.
   e) To stimulate the debate and active participation of the directors during meetings, safeguarding their freedom to take positions.
5. The Board of Directors, upon a proposal of its chairman and after a report from the Appointments Committee, may elect from among its members one or more vice-chairs who shall temporarily replace the chairman of the Board of Directors in the event of vacancy, absence, illness, or disqualification.

6. If there is more than one vice-chair of the Board of Directors, the one that is expressly appointed by the Board of Directors for such purpose shall replace the chairman of the Board of Directors; in default of the foregoing, the vice-chair having the longest length of service in office; in case of equal lengths of service, the oldest. If a vice-chair has not been appointed, the chairman shall be replaced by the lead independent director; in the absence thereof, by the director with the longest length of service in office, and in case of equal lengths, by the oldest.

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

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

Article 43. Chief Executive Officer

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

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

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

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

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

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

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

Article 45. Checks and Balances System: Lead Independent Director

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

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

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

4. If the chairman of the Board of Directors has the status of executive director, the Board of Directors, upon a proposal of the Appointments Committee and with the abstention of the executive directors, must necessarily appoint from among the independent directors a lead independent director (consejero coordinador), who shall be especially empowered, when the lead independent director deems it appropriate, to:
a) Ask the chairman of the Board of Directors to call a meeting thereof and to participate with the chairman in the planning of the annual schedule of meetings.
b) Participate in the preparation of the agenda for each meeting of the Board of Directors and request the inclusion of matters on the agenda for meetings of the Board of Directors that have already been called.
c) Coordinate, gather, and reflect the concerns of the non-executive directors.
d) Direct the periodic evaluation of the chairman of the Board of Directors and lead any process for the succession thereof.

5. The lead independent director may also maintain contacts with shareholders when so decided by the Board of Directors.

Chapter IV. Rules Applicable to Directors

Article 46. General Duties of Directors
1. The directors must carry out their office and comply with the duties imposed by law and the Corporate Governance System with the diligence of a prudent businessperson, taking into account the nature of the office and the duties attributed to each of them. The directors must also carry out their office with the loyalty of a faithful representative, acting in good faith and in the best interest of the Company.
2. The Regulations of the Board of Directors shall elaborate upon the specific obligations of directors stemming from the duties established by law, and particularly those of confidentiality, non-competition, and loyalty, with special focus on conflict of interest situations.
3. The Company may obtain an insurance policy that covers the civil liability of the directors in the performance of their duties.

Article 47. Term of Office
1. Directors shall serve in their position for a term of four years, so long as the shareholders acting at a General Shareholders’ Meeting do not resolve to remove them and they do not resign from their position.
2. Directors must submit their resignation from the position and formally resign from their position upon the occurrence of any of the instances of disqualification, lack of competence, structural and permanent conflict of interest, or prohibition against performing the duties of director provided by law or the Corporate Governance System.
3. Directors may be re-elected to one or more terms of four years.

Article 48. Director Remuneration
1. The Company shall annually allocate as an expense an amount equal to a maximum of two per cent of consolidated group profits obtained during the preceding financial year for the following purposes:
   a) To remunerate the directors, both for their status as such as well as for any executive duties, based on the offices held, and dedication to and attendance at meetings of the corporate decision-making bodies.
   b) To endow a fund to meet the obligations of the Company regarding pensions, the payment of life insurance premiums, and the payment of severance compensation in favour of current and former directors.
2. In particular, in their status as such, the directors shall receive remuneration consisting of a fixed annual amount, attendance fees, and appropriate coverage of risk benefits (death and disability). In the case of termination prior to the end of the period for which they were appointed, non-executive directors who are not proprietary directors shall have the right to receive a severance payment for non-competition unless their removal is due to a breach of the duties of director attributable thereto or to the sole decision thereof.
3. The amount subject to the maximum limit of two per cent, may only accrue if profits for the preceding financial year are sufficient to cover legal and other mandatory reserves and if there has been an issuance to the shareholders of a dividend of at least four per cent of the share capital charged to the results of such financial year.
4. Independently of the provisions of the preceding sections, and subject always to the approval of the shareholders at a General Shareholders’ Meeting, the remuneration of directors may also consist of the delivery of shares or options thereon, as well as a payment based on the value of the Company’s shares.

Article 49. Powers of Information and Inspection
1. A director shall have the broadest powers to obtain information regarding any aspect of the Company, to examine its books, records, documents, and other background information on corporate transactions, to inspect its facilities, and to communicate with the senior officers of the Company.
2. The exercise of the aforementioned powers shall be channelled through the secretary of the Board of Directors, who shall act on behalf of the chairman thereof pursuant to the provisions of the Corporate Governance System.

**TITLE IV. BREAKTHROUGH OF RESTRICTIONS IN THE EVENT OF TAKEOVER BIDS**

**Article 50. Removal of Voting Limitations**
The prohibition on voting for shareholders affected by conflicts established in article 28 above and the limitation on the maximum number of votes that may be cast by a single shareholder contained in sections 2 to 4 of article 29 above shall be deprived of effect upon the occurrence of the following circumstances:

a) when the Company is the target of a takeover bid aimed at the share capital as a whole; and

b) when, as a result of the takeover bid, an individual or a legal entity, or several of them acting in concert, acquire an interest equal to two-thirds of the voting share capital of the Company, provided the full consideration therefor consists only of cash; or, alternatively,

c) when, as a result of the takeover bid, an individual or a legal entity, or several of them acting in concert, acquire an interest equal to three-fourths of the voting share capital of the Company, provided that the consideration therefor consists, in whole or in part, of securities, without giving the recipient an alternative right to receive such consideration wholly in cash.

**Article 51. Effectiveness of the Removal**

1. The removal of the restrictions mentioned in the preceding article shall be effective from the date of publication of the result of the settlement of the bid in the Listing Bulletin (Boletín de Cotización) of the Bilbao Stock Exchange.

2. The directors of the Company shall have the power, as well as the duty, to take the actions necessary to formalise the amendment of the By-Laws referred to in section 1 above and to seek registration thereof with the Commercial Registry.

**Article 52. Amendments to Articles in Title IV and Related Provisions**

All resolutions intended to eliminate or amend the provisions contained in this Title, in article 28, and in sections 2 to 4 of article 29 above shall require the affirmative vote of three-fourths of the share capital represented in person or by proxy at a General Shareholders’ Meeting.

**TITLE V. ANNUAL ACCOUNTS, DISSOLUTION, AND LIQUIDATION**

**Chapter I. Annual Accounts**

**Article 53. Financial Year and Preparation of Annual Accounts**

1. The financial year shall commence on 1 January of each year and shall end on 31 December of each year.

2. Within the first three months of the year, the Board of Directors shall prepare the annual accounts, the management report, and the proposed allocation of profits or losses, and the consolidated annual accounts and management report for the previous financial year.

**Article 54. Approval of Accounts and Allocation of Profits/Losses**

1. The annual accounts of the Company and the consolidated annual accounts shall be submitted to the shareholders for approval at the General Shareholders’ Meeting.

2. The shareholders shall decide at the General Shareholders’ Meeting upon the allocation of profits or losses for the financial year in accordance with the approved annual accounts.

3. If the shareholders resolve to distribute a dividend, they shall decide the time and form of payment thereof. The establishment of these standards and of any others that may be required or appropriate to carry out the resolution may be delegated to the Board of Directors.

4. The shareholders may resolve at the General Shareholders’ Meeting that the dividend be paid totally or partially in kind, provided that the assets or securities to be distributed are homogeneous, they are admitted to trading on an official exchange at the time the resolution is made effective, or the Company duly guarantees the liquidity thereof within a maximum period of one year, and they are not distributed for a lesser value than the value set forth for them in the balance sheet of the Company. The same rule shall apply to a reduction in share capital due to a return of in-kind contributions.

5. The distribution of a dividend to shareholders shall be made in proportion to their paid-up share capital.
Chapter II. Dissolution and Liquidation of the Company

Article 55. Grounds for Dissolution
The Company shall be dissolved upon the occurrence of any of the events established by law.

Article 56. Liquidation of the Company
1. From the moment the Company declares itself to be in liquidation, the Board of Directors shall cease its duties and the directors shall become liquidators of the Company. They shall make up a collective body which shall be composed of an odd number of members. If necessary for such purpose, the director having the least length of service since appointment or, in case of equal length, the director who is younger, shall cease to hold office.
2. During the liquidation period, the provisions of these By-Laws governing the call to and holding of General Shareholders’ Meetings shall be complied with, and the shareholders shall be informed of the progress of the liquidation, so that the shareholders may adopt such resolutions as they deem appropriate.
3. All liquidating operations shall be carried out with due observance of the provisions of law.
Mission, Vision, and Values of the Iberdrola group

23 February 2016
The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with the power to approve the mission, vision, and values of the Group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”).

The goal of this regulation is to formalise the mission, vision, and values of the Group approved by the Board of Directors as an independent norm within the Corporate Governance System.

The mission, vision, and values of the Group constitute its corporate philosophy, inspire and take form in the Corporate Policies and in the other rules of the Corporate Governance System, govern the day-to-day activities of the companies of the Group, and guide their strategy and all of their actions.

1. Mission of the Group

“Our mission in carrying out our activities is to create value sustainably for society, citizens, customers, and shareholders, as the leading multinational group in the energy sector providing a quality service through the use of environmentally-friendly energy sources, which engages in innovation and considers its employees to be a strategic asset, fostering their development, training, and reconciliation measures, favouring a good working environment and equality of opportunity, committed to social return through all of our business activities, generating employment and wealth in our environment, all within our strategy of social responsibility and compliance with tax regulations”.

2. Vision of the Group

“We want to be the leading multinational group in the energy sector at the forefront of a better future, sustainably creating value with a quality service for people: customers, citizens, and shareholders (whom we care for and engage in our corporate life) and for the communities in which we carry out our activities, generating employment and wealth (with whom we engage in a constructive dialogue), known for our firm commitment to ethical principles, good corporate governance, and transparency, the safety of people and supply, operational quality and excellence, innovation, protection of the environment, and customer focus. Making it possible thanks to the work of our employees and the people working at our suppliers and collaborators, whom we care for by offering all of our training resources and reconciliation measures for their development and to strengthen equality of opportunity”.

3. Values of the Group

The mission and vision of the Group is configured based on a firm commitment to twelve values that all of the Corporate Policies, internal rules, and other internal codes and procedures must follow:

a) The sustainable creation of value:

“Our mission is to lead the creation of value in a sustainable manner for society, citizens, customers, shareholders, and the communities in which we do business, equitably compensating all groups that contribute to the success of our business enterprise, and to make new investments with a focus on their social return, generating employment and wealth for society with a long-term vision that achieves a better future without compromising present results”.

b) Ethical principles:

“We aspire for our conduct and that of the persons linked to us, including all participants in the value chain, to respond and adhere to ethical and generally accepted social responsibility principles, in addition to applicable laws and the Corporate Governance System.”

c) Good corporate governance and transparency:

“We care for and engage people—customers, citizens, and shareholders—in corporate life and constantly work to maintain leadership in corporate governance and transparency, at all times adopting the best generally recognised practices in the international markets, all within the framework of a diversified group that is organised efficiently and coordinated around IBERDROLA, S.A. and the various country subholding companies and head of business companies, subject to common guidelines and the principle of subsidiarity”.
d) Development of our workforce:
“We consider our employees to be a strategic asset, whom we care for and offer a good working environment, fostering their development, training, and measures of reconciliation, and favouring equal opportunity. We work to recruit, promote, and retain talent and encourage the personal and professional growth of all people belonging to our workforce, making them participants in our quest for a successful business enterprise and guaranteeing them a dignified and safe job”.

e) Social commitment:
“The sustainable development of the communities in which we do business and the well-being of people –customers, citizens, and shareholders– who contribute to achieving the corporate interest of IBERDROLA, S.A. are basic assumptions for the success of our business enterprise. We affect local economic development, generating employment and wealth around us.
Aware of this reality, we contribute to the development of our communities with our business activities and with our strategy of social responsibility, with measures intended to promote education and culture and to protect vulnerable groups”.

f) Sense of belonging:
“We care for and involve all stakeholders in our enterprise, engaging in continuous and constructive dialogue with them in order to know their expectations and to build strong bonds, and thus generate trust and forge a sense of belonging to an excellent company of which they feel they are an integral part”.

g) Safety and reliability:
“We work to offer a service of high quality energy supply for society, citizens, and customers and to carry out all our activities within a safe and reliable environment. The safety of our employees and of the people at the facilities of the companies of the Iberdrola group and in the surrounding areas, and that of our customers, as well as the adoption of best practices in the areas of safety and occupational health, form an unwavering pillar of our processes”.

h) Quality:
“The outstanding management of all of our processes and resources is an essential tool in the creation of value for people: shareholders, customers, employees, and the other stakeholders”.

i) Innovation:
“We believe that innovation is a strategic variable that affects all the businesses of the Group and all the activities we engage in. We want to be leaders in innovation within the energy sector, basing our activities in this area on sustainable development and on the promotion of renewable energy and emerging technologies”.

j) Respect for the environment:
“Our leadership in the development of clean energy and respect for the environment are the pillars of our energy production model and the factor that distinguishes us in the energy sector as one of the leading companies worldwide”.

k) Customer focus:
“We work to know the needs and expectations of our customers, in order to offer them better solutions, defending the proper operation of the market under free competition, continuously working to maintain and increase their satisfaction, strengthening their connection to the Iberdrola group, and promoting responsible consumption”.

l) Institutional loyalty:
“We base our relations with the public authorities on respect for the law, loyalty, trust, professionalism, collaboration, reciprocity, and good faith.
We consider the taxes we pay in the countries and territories in which we operate as the principal contribution to sustaining public expenditures, and therefore one of our contributions to society”.
4. Acceptance

The professionals of the Group expressly accept the content of the Mission, Vision, and Values of the Iberdrola group. Professionals who join or become part of the Group in the future must also expressly accept the content hereof. The Mission, Vision, and Values of the Iberdrola group shall be attached to the employment agreements of all Group professionals.

This Mission, Vision and Values of the Iberdrola Group, approved on 23 February 2016, results from giving the status of rules independent from the Corporate Governance System to the principles drawn up by the Board of Directors in October 2015, the date of the last amendment and update of the Company’s principles and values, originally formalised as such in financial year 2002.
Book Three of the Corporate Policies

21 June 2016
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Corporate Governance and Regulatory Compliance Policies
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General Corporate Governance Policy

The Board of Directors of IBERDROLA, S.A. ("Iberdrola" or the "Company") has the power to design, assess, and continuously revise the Corporate Governance System, and specifically to approve the Corporate Policies. The foregoing further develop the principles reflected in this set of rules which include the guidelines governing the conduct of the Company and of the companies belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”), as well as the conduct of their directors, officers, and employees. This General Corporate Governance Policy (the “Policy”) is an essential piece of the Corporate Governance System and includes the fundamental aspects and commitments of the Company and the Group in this area.

The Company also expects its shareholders and other persons holding rights or interests in shares of the Company to respect and comply with the provisions of this Policy in their relations therewith.

Principles of the Policy

1. General Principles

The Group’s commitment to good corporate governance and transparency is reflected in the Mission, Vision, and Values of the Iberdrola group, the pillars of which are the engagement of the Company’s shareholders in corporate life and the maintenance of leadership in corporate governance and transparency.

This commitment guides the conduct of the Board of Directors, the committees thereof, and the other decision-making bodies of the Company in its relations with shareholders, investors, and other stakeholders, as well as the development of its corporate governance strategy, which is based on the following principles:

a) The good governance recommendations generally accepted in international markets are taken into account in configuring and updating the Corporate Governance System.

b) The corporate governance strategy seeks the fulfilment of the corporate interest of the Company, 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.

c) The Company considers the effective engagement of the shareholders in its corporate life to be a primary objective. For this purpose, upon the proposal of a working committee formed by representatives of the Company, recognised shareholder movements, and professionals with particular qualifications and experience in corporate governance, the Board of Directors has approved a Shareholder Engagement Policy. It also organises various events and adopts several initiatives to promote such engagement. The General Shareholders’ Meeting is thus celebrated within the framework of Shareholder Day, which is intended to involve the shareholders in the business, corporate, and institutional reality of Iberdrola, stimulate two-way interaction between the Company and its shareholders, and encourage their engagement in corporate life.

d) The Company encourages the informed participation of the shareholders at the General Shareholders’ Meeting and takes proper measures to facilitate the effective exercise by the shareholders at a General Shareholders’ Meeting of the powers they hold under the law and the Corporate Governance System.

e) Transparency is one of the values making up Iberdrola’s relationships with the markets and with the general public. The Company maintains a corporate website, envisaged as an instrument for channelling its relations with shareholders and investors, as well as the other stakeholders, which is intended to foster their involvement in corporate life.
In addition, the Company makes available to its shareholders and investors significant information concerning the running of the Company and its Group, in accordance with the provisions of law and of the Corporate Governance System.

f) The Board of Directors seeks a proper balance in the composition and the periodic laddered renewal thereof, and has a wide majority of independent directors, with consultative committees that are made up entirely of non-executive directors and chaired by independent directors.

g) The Board of Directors endeavours to ensure a diversity of nationalities, gender and experience in its composition and in that of its committees and the other decision-making bodies of the Company, as a reflection of the social and cultural reality of the Group.

h) The Corporate Governance System includes the mechanisms and procedures required to prevent, identify, and resolve conflicts of competition and of interest, whether of an exceptional or structural and permanent nature.

i) The Company seeks to assure, to the extent it is able to do so, the respectability, capability, expertise, competence, experience, qualifications, training, availability, and commitment to their duties of the directors and senior officers. The Appointments Committee establishes an annual programme for the evaluation and ongoing review of the qualifications, training, and, if appropriate, independence, as well as of the maintenance of the conditions of respectability, capability, expertise, competence, availability, and commitment to duties necessary to hold the position of director and to sit on a given committee of the Board of Directors.

j) The Company sets its Director Remuneration Policy and its Senior Officer Remuneration Policy following principles that combine motivation, loyalty-building, and the objective evaluation of management and performance with dedication and achievement of the goals and results of the Company and its Group, within the context of their international activities.

k) Institutional leadership, the promotion and protection of development initiatives and projects, and the improvement of the Company’s Corporate Governance System, as well as ensuring the proper operation thereof, are entrusted by the Company to the chairman of the Board of Directors.

l) The Corporate Governance System duly separates management and supervision functions within the Company and the Group, as well as between the central strategy function and decentralised executive responsibilities, in accordance with the Group’s Business Model. This model makes the decentralised structure compatible with the global integration of the businesses and its focus on maximising operational efficiency through the exchange of best practices among the business units of the various companies within the Group.

m) The Company and the Group assume the legally established commitments in connection with the legal and functional separation of regulated companies.

n) The Company observes the autonomy required for the rest of the listed companies of the Group. For these purposes, the Corporate Governance System contemplates the measures that are appropriate to safeguard the interests of the minority shareholders of said companies, which may not be fully aligned with those of the Company.

o) The Company is permanently committed to the application of ethical governance practices and to the maintenance, development, and monitoring of compliance policies at the Group level. This includes compliance with applicable laws and regulations and with risk management policies, endeavouring to ensure that the Group’s internal procedures conform to the highest ethical standards. The Compliance Unit ensures the application of such standards, reporting to the Corporate Social Responsibility Committee.

p) The taxes that the Group pays in the countries and territories in which it does business are its main contribution to the funding of public purpose needs and, accordingly, one of its contributions to society. Iberdrola’s Corporate Tax Policy includes among its principles that of compliance with applicable tax laws in the various countries and territories in which the Group operates.

Shareholders of the Company

2. Rights and Duties of the Shareholders

Each share of the Company grants the legitimate holder thereof the status of shareholder. Shareholders must exercise their rights vis-à-vis the Company and 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 law and, to the extent applicable, the Corporate Governance System.
Within this context, the Company facilitates and promotes a responsible exercise of their rights and the performance of their duties by the shareholders and the holders of rights or interests in shares, subject to the above-mentioned principles. The Company expects shareholders, other persons holding rights or interests in shares of the Company, and, to the extent applicable, intermediary or managing entities or depositaries, to exercise their rights and comply with their duties in accordance with these principles.

For such purposes, the Company expects that they act with entire transparency vis-à-vis the Company and the other shareholders, and report to the Company the terms and conditions associated with the acquisition and holding of their financial, voting, and related rights, without prejudice to their legal duty to disclose significant interests; and the identity of the ultimate and actual owner of the Company shares, other securities entitling the holders to acquire or subscribe for shares or other interests therein and any voting rights that may be exercised by them and, if applicable, report the capacity in which they hold such shares, securities, rights, or interests.

In this connection, the Company considers that compliance with the duties of transparency established by law and, to the extent applicable, the Corporate Governance System, must be a constant in the full exercise of the shareholder’s position and of the rights ensuing from such status. Specifically, every shareholder and every holder of an interest in shares of the Company or of voting rights therein, even if not a shareholder, must be prepared, as an expression of the holder’s commitment to transparency and the corporate interest, to disclose and provide to the Company specific, full, and accurate information on the aspects described below:

a) In the event of the acquisition of voting rights representing a percentage equal to or greater than one per cent of the share capital, whether the holder is also the full owner of the respective shares or has assumed the risk and peril thereof, and the type of instrument used for such acquisition.

b) In the event that any agreement is executed or any kind of financial instrument is acquired that grants the right to acquire or transfer shares, interests in shares, or voting rights or to exercise or control the exercise of voting rights of the Company representing a percentage of the share capital or of voting rights equal to or greater than one per cent, whether individually or in the aggregate, the terms and conditions of such agreement or instrument.

c) In the event that the threshold of ten per cent and successive multiples of five per cent of the share capital or of voting rights is exceeded, whether the holder has a plan to acquire control of the Company or intends to continue to acquire shares, interests in shares, or voting rights, and the periods during which the holder intends to do so, as well as information regarding the funds allocated to the acquisition of the shares, interests in shares, or voting rights, charges and encumbrances created on the foregoing, and any additional information that may be relevant to assessing the nature of the interest acquired and the earnestness of the holder’s intentions, and any intention of influencing the composition of the Board of Directors of the Company, its strategy, or its financial or management policies, as well as any changes with respect to the foregoing.

d) In the event that the formal owner of the shares, of the interests in shares, or of the voting rights holds such status in a fiduciary or any other capacity, to disclose to the Company the name of the ultimate and actual owners of the shares, interests in shares, or voting rights.

**Participation of the Shareholders in the Company**

3. **Encouragement of Participation in the General Shareholders’ Meeting**

The General Shareholders’ Meeting is the principal channel of participation of the shareholders in the Company. The General Shareholders’ Meeting is held within the framework of Shareholder Day, during which there are several activities seeking to bring the Company closer to the shareholders and encourage a constructive dialogue with them. It is organised in compliance with the provisions of the Sustainability Policy in relation to sustainable event management. In order to encourage their informed and responsible participation at the General Shareholders’ Meeting, the Board of Directors approves and makes available to the shareholders, on the occasion of each General Shareholders’ Meeting, a *Shareholder’s Guide*, which clearly explains the procedures applicable for participation therein, *Rules of Implementation for the Management of the General Shareholders’ Meeting*, which standardises, further develops, adapts, and makes more specific the provisions of the Corporate Governance System concerning the exercise of shareholders’ rights relating to the holding of the General Shareholders’ Meeting, as well as a system for voting and proxy-granting by postal and electronic means and a standard form of attendance, proxy, and absentee voting card.
The General Shareholders’ Meeting is called as provided by law and in the Corporate Governance System, by means of publication of an announcement in the Official Bulletin of the Commercial Registry (Boletín Oficial del Registro Mercantil) and on the Company’s corporate website, as well as on the website of the National Securities Market Commission (Comisión Nacional del Mercado de Valores).

On occasion of the call to the General Shareholders’ Meeting, the Company enables an Electronic Shareholders’ Forum on the Company’s corporate website for the purposes provided by law. All duly verified shareholders and shareholder groups may access the Electronic Shareholders’ Forum.

In order to safeguard shareholders’ rights and transparency, the Company asks a specialised external firm to review the proceedings of the General Shareholders’ Meeting, including the processing of votes cast from a distance and the proxies granted, as well as the counting of the votes cast on proposed resolutions.

4. Policy on Payment of Attendance Bonus

Generally, to encourage the participation of the shareholders at the General Shareholders’ Meeting, the Board of Directors shall approve the payment of an attendance bonus for each General Shareholders’ Meeting held by the Company, determining the nature and amount thereof. In any case, the amount of the bonus per share at each General Shareholders’ Meeting will not be greater than one and a half percent of the nominal value thereof. The decision on whether or not to pay the attendance bonus for a particular General Shareholders’ Meeting and the amount thereof will be set forth in the announcement of the call to meeting.

The shares included in the list of attendees at the General Shareholders’ Meeting shall have the right to receive the attendance bonus. The Board of Directors, or the persons authorised thereby, may decide to pay the bonus to shares not included in the list of attendees, based on the entry thereof into the room after the beginning of the meeting or for other reasons apart from the Company and the Shareholder.

The general principle of paying the attendance bonus cannot be followed if the economic situation of the Company so advises or if there are exceptional and objective circumstances showing that payment of such bonus is not an effective incentive to encourage participation at the General Shareholders’ Meeting. If the Board of Directors resolves not to pay an attendance bonus, it shall provide the rationale for its decision at the respective General Shareholders’ Meeting. A change in the policy on payment of attendance bonus described above shall require an express resolution of the Board of Directors. If it is decided to change the policy by eliminating the payment of the bonus for a particular General Shareholders’ Meeting, it may not be re-established until the objective circumstances justifying the elimination thereof have changed. In this case, the Board of Directors must explain the reasons motivating the decision on the payment thereof at the next General Shareholders’ Meeting.

5. Right to Request that a Meeting Be Called, that a Supplement to the Call to Meeting Be Published, and to Submit Duly Substantiated Proposed Resolutions

The Board of Directors must call a General Shareholders’ Meeting at the request of shareholders representing at least three per cent of the share capital, with the requirements established by law and, to the extent applicable, the Corporate Governance System.

Shareholders representing at least three per cent of the share capital may also:

a) Request the publication of a supplement to the call to the Annual General Shareholders’ Meeting including one or more items in the agenda of the call to meeting, so long as the new items are accompanied by a rationale or, if applicable, by a duly substantiated proposed resolution.

b) Submit well-founded proposed resolutions regarding matters already included or that should be included in the agenda of the call to the General Shareholders’ Meeting.

The shareholders must exercise these rights with loyalty, in good faith, and within the framework of the corporate interest. The Company may request the documents and the information necessary to verify that the aforementioned conditions have been satisfied.

The exercise of such rights must be requested by duly authenticated notice to be received at the registered office of the Company within five days of publication of the call to the General Shareholders’ Meeting. The Company shall ensure the dissemination of the items on the agenda and/or the proposed resolutions submitted and the documentation that may be attached thereto in accordance with provisions of law, and in any case as soon as possible, and shall publish a new form of attendance, proxy, and absentee voting card that takes into account the items on the agenda and/or the additional proposals.
If such rights are validly exercised, the chair of the General Shareholders’ Meeting, making use of the powers vested therein by the *Regulations for the General Shareholders’ Meeting*, shall submit to a vote the new items or proposed resolutions after the proposed resolutions submitted by the Board of Directors. In this case, the following rules shall apply in order to determine the direction of the shareholders’ votes on those proposals that conflict with other proposals submitted to the shareholders at the same General Shareholders’ Meeting:

- **a)** First, absentee votes cast pursuant to the provisions of the *Regulations for the General Shareholders’ Meeting* shall be counted in the direction that is appropriate in accordance with any applicable provisions of the Corporate Governance System, the Shareholder’s Guide, and the Rules of Implementation for the Management of the General Shareholders’ Meeting.

- **b)** Second, shareholders (and their proxy representatives) desiring to expressly state the direction of their vote in favour of a specific proposed resolution must so notify the notary public or assistants thereto (or in the absence thereof, the secretary for the General Shareholders’ Meeting). It shall be deemed that the shareholders voting in favour of a proposed resolution vote against all the others that conflict therewith.

- **c)** Third, shareholders desiring to vote in blank or to abstain with regard to all proposed resolutions must proceed in the same manner.

- **d)** Finally, pursuant to the provisions of letters a) and b), those votes corresponding to all shares represented in person or by proxy, after deducting the votes corresponding to the following, shall be deemed to be votes in favour of the proposal: (i) shares whose holders or proxy representatives have stated that they vote in favour of another conflicting proposal and who vote in blank or abstain from all of them, and (ii) shares whose holders or proxy representatives have left the meeting prior to the voting on the proposed resolution in question and have provided a record thereof to the notary public or assistants thereto (or in the absence thereof, to the secretary for the General Shareholders’ Meeting).

6. **Information for Shareholders**

The Corporate Governance System elaborates on the provisions of applicable law governing information for shareholders as regards the means that the Company must make available to them in order for them to be able to exercise their right to receive information prior to and during the General Shareholders’ Meeting.

As from the date of publication of the call to the General Shareholders’ Meeting, such information as is deemed appropriate to facilitate informed attendance of the shareholders at the General Shareholders’ Meeting is made available to them on the Company’s corporate website (avoiding documents in paper form and thereby favouring respect for and protection of the environment).

In addition to the reports referred to in the *Regulations for the General Shareholders’ Meeting*, the Company makes available to the shareholders a report prepared by the Appointments Committee regarding the transactions on which it has reported during the prior financial year by the Company or companies in its Group with directors or shareholders with a shareholding interest deemed to be legally significant at any particular time or that have proposed the appointment of directors of the Company, or with their respective related persons.

A full or summary translation into English of the principal reports and documents made available to the shareholders is also included as soon as possible following publication of the announcement of the call to meeting, although the Spanish text shall in any event prevail in the event of a conflict. Shareholders with visual limitations may request the delivery of the announcement of the call to meeting in the Braille system.

From the date of publication of the call to the General Shareholders’ Meeting through and including the fifth day prior to the date set for the meeting to be held on first call, the shareholders may request in writing the information or clarifications that they deem are required, or ask the written questions they deem relevant, regarding the matters contained in the agenda of the call to meeting. In addition, upon the same prior notice and in the same manner, the shareholders may request data or clarifications or ask written questions regarding the information accessible to the public that has been sent by the Company to the National Securities Market Commission since the holding of the last General Shareholders’ Meeting. In order to facilitate the exercise of such right, information may be requested by delivering the request at the registered office or by sending it to the Company by postal or electronic correspondence in the manner established by the Board of Directors when calling each General Shareholders’ Meeting.
In addition to the publication of the announcement of the call to meeting by the means prescribed by law, the Company may use the services of agencies, financial institutions, and intermediaries for purposes of improved distribution of information among its shareholders and all those with a right thereto or interest therein, even if not shareholders. It is a priority objective of the Company for all shareholders to be able to exercise their right to receive information through the Company’s corporate website, and, with such end in mind, it provides technological means on the website that facilitate access by persons with disabilities.

7. Attendance at the General Shareholders’ Meeting
All shareholders who are duly accredited in the manner allowed by law or the Corporate Governance System have the right to attend the General Shareholders’ Meeting, with no minimum number of shares being required for such purpose. The Company encourages the attendance of the shareholders at the General Shareholders’ Meeting by holding it on premises that offer the best conditions for the progress and monitoring thereof, with a large capacity, and located in the centre of the city where the registered office is situated. If necessary, provision is made for use of supplemental locations to attend the General Shareholders’ Meeting that are connected with the main site by video conference systems that allow recognition and identification of the parties attending, permanent communication among the attendees regardless of their location, and participation and voting.

The Company also actively encourages the participation of all shareholders. In particular, whenever reasonably possible, it provides appropriate means to facilitate entry to and exit from the premises where the meeting will be held by all attendees with reduced mobility, and adopts the measures necessary to allow for participation by attendees with auditory or visual limitations at the General Shareholders’ Meeting. For this reason, the General Shareholders’ Meeting is the subject of simultaneous interpreting in Spanish sign language and an audio description for attendees with visual limitations.

The Company offers to all persons who so wish, even if they are not shareholders, the ability to access a live or recorded broadcast of the General Shareholders’ Meeting, in whole or in part, through its corporate website.

8. Rights to Proxy Representation and to Absentee Voting
The Corporate Governance System further develops the right of shareholders to grant a proxy to another person (even if not a shareholder) and to vote by postal correspondence or electronic means at any General Shareholders’ Meeting that may be held. The Rules of Implementation for the Management of the General Shareholders’ Meeting further develop and make more specific the provisions of the Corporate Governance System in connection with the exercise of the rights to attend, to proxy representation, and to absentee voting, as well as the rules of priority and for the resolution of issues, in order to safeguard the expression of the intent and the interest of the shareholders.

The chairman and the secretary of the Board of Directors or, as from the moment a quorum for the General Shareholders’ Meeting is determined to exist, the chair of and the secretary for the Meeting and the persons to whom they may delegate powers have full powers to verify and accept the validity of proxies granted and absentee votes in accordance with the provisions of the Corporate Governance System, as well as the identity of the shareholders and their proxies and the legitimacy of the exercise of the rights to attend, grant proxies, and vote.

9. Other Aspects of the General Shareholders’ Meeting
It falls upon the chair of the General Shareholders’ Meeting, who will generally be the chairman of the Board of Directors, assisted by the secretary (who will also generally be the secretary of the Board of Directors), and the presiding committee (mesa) of the General Shareholders’ Meeting, to order and direct the meeting in accordance with the provisions of the Regulations for the General Shareholders’ Meeting, indicate the time for voting, establish the voting systems and procedures, determine the system for counting and calculating the votes, and announcing the outcome. The chair of the General Shareholders’ Meeting may also appoint a representative of the Company to make an organised presentation to the General Shareholders’ Meeting on those questions or considerations that the Company’s shareholders have submitted to the Company during the course of Shareholder Day or through other channels of participation and that the chair of the General Shareholders’ Meeting deems appropriate to present. Said representative may also present other questions raised by those attending the General Shareholders’ Meeting who prefer not to use their right to personally participate in the meeting.
10. Delegation of Powers to Issue Shares or Securities Convertible into Shares

The Board of Directors shall not propose to the shareholders at the General Shareholders’ Meeting the delegation of powers to issue shares or securities convertible into shares with the exclusion of pre-emptive rights in an amount greater than twenty per cent of the share capital at the time of the delegation.

If the Board of Directors, in using such delegation, approves any issue of shares or of securities convertible into shares with the exclusion of pre-emptive rights, the Company shall publish on its corporate website the reports on such exclusion required by law.

11. Communication Channels with Shareholders and Investors

The Company’s main official channel of communication with shareholders and the markets is its continually updated corporate website (www.iberdrola.com), through which the Company channels all information that may be of interest to shareholders and investors, favouring immediate publication thereof and subsequent access thereto, pursuant to the provisions of the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors.

The Company publishes on the corporate website the professional profile and biographical data of its directors, the other boards of directors to which they may belong, whether or not they are of listed companies, the category to which they belong (and in the case of proprietary directors, stating the shareholder at whose request they were appointed), the date of their first appointment, and the dates of their subsequent re-elections, and the shares of the Company and the options on such shares that they hold.

Furthermore, an interactive system (On-Line Shareholders, or OLS) has been made available on the corporate website that allows shareholders (who can log on with their user name and password) to easily ask questions, whether publicly or on a confidential basis, access the most frequently asked questions on various issues and the answers thereto, and, in connection with the General Shareholders’ Meeting, request information or clarifications or ask questions concerning the items on the agenda, as well as to view the proceedings live.

In addition, the Company has other specific communication channels to provide information to shareholders and investors:

a) The Office of the Shareholder (Oficina del Accionista). From the call to the General Shareholders’ Meeting to the end thereof, the shareholders can rely on the support of the Office of the Shareholder, which has a specific site for such purpose at the premises where the meeting is held in order to resolve any issues that the attendees may raise prior to the commencement of the meeting, as well as to serve and provide information to the shareholders who wish to use the floor.

b) The Investor Relations Office (Oficina de Relaciones con Inversores). This responds on a regular and personalised basis to the questions of analysts and institutional and qualified investors in equities, fixed-income securities, and socially responsible investments.

These communication channels and the functions, scope of application, and means of contact are further developed in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors.

12. Other Channels of Participation for the Shareholders

In addition to the General Shareholders’ Meeting, the Company has established other channels for participation that, without diminishing the powers of the shareholders thereat, allows for promoting the engagement of shareholders in the corporate life:

a) On-Line Shareholders (OLS)

In addition to being a channel for communication, On-Line Shareholders (OLS) allows shareholders to actively participate in virtual forums and discussions electronically, regarding issues of corporate governance and other issues of significance to the life of the Company with an impact on stakeholders and on the communities and territories in which it operates.

b) Activities organised by the Office of the Shareholder

The Office of the Shareholder is in contact with those shareholders who voluntarily enter their names in its database, and provides a specific service to minority shareholders for the organisation of presentations and events prior to the General Shareholders’ Meeting.
It also organises thematic in-person sensitivity and engagement workshops at which debate is encouraged and information is provided regarding issues relating to the activities of the Company, mainly in the area of its corporate social responsibility strategy.

c) Shareholders’ Club (Club del Accionista)
This is an open and permanent channel of communication directed towards shareholders who voluntarily become members thereof and are interested in closely following the Company’s performance. It invites its members to events at which representatives of the Company, and occasionally other notable persons, are invited, exchange viewpoints, and debate current issues relating to the Company.

d) Relations with Significant Shareholders
Apart from the participation channels cited above, the Board of Directors may establish regular communication mechanisms with shareholders owning a significant interest in order to gather their opinions and concerns regarding the activities of the Company.

The Board of Directors and the Committees of the Board

13. The Board of Directors
The Board of Directors has the broadest powers and authority to manage and represent the Company. In accordance with the Corporate Governance System, the Board of Directors focuses its activity on the determination, supervision, and monitoring of the strategies and general guidelines that must be followed by the Company and the Group, and entrusts to the representative management decision-making bodies 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 forming part thereof, without prejudice to observance of the special framework of strengthened autonomy of the listed country subholding companies.

In the performance of its duties, the Board of Directors pursues the corporate interest and acts with unity of purpose and independent judgement, affording equal treatment to all shareholders in the same situation.

14. Composition of the Board of Directors
The Board of Directors shall be composed of a minimum of nine and a maximum of fourteen directors, distinguishing between executive and non-executive directors. Non-executive directors include proprietary, independent and other external directors.

The nature of each director is reported to the shareholders at the General Shareholders’ Meeting at the time of making or ratifying the appointment or re-election thereof, as well as in the Annual Corporate Governance Report, after verification by the Appointments Committee.

The Board of Directors ensures, in the exercise of its powers and without prejudice to the powers of the shareholders at the General Shareholders’ Meeting, that independent directors are a large majority of the Board of Directors and that the number of executive directors is the minimum number necessary, taking into account the complexity of the Group.

In addition, the Board of Directors ensures that a proper equilibrium exists between proprietary and independent directors, reflecting, to the extent possible, the proportion existing between the voting share capital represented by proprietary directors and the rest of the share capital.

The composition of the Board of Directors shall likewise seek a diversity of nationalities, gender, and experience, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of matters within its power.

The stability of the Board of Directors is a primary objective. Therefore, the Company has adopted a number of measures so that each year the shareholders at the General Shareholders’ Meeting decide on the appointment or re-election of approximately one-fourth of the members of the Board of Directors.

15. Selection and Appointment of Directors
The Board of Directors is composed of persons with recognised prestige and professional competence, who act with independent judgement in the performance of the duties inherent to their position.

The Appointments Committee proposes to the Board of Directors the appointment of independent directors and reports on the appointment of other directors, each of whom is classified into one of the categories contemplated in law, the By-Laws, and the Regulations of the Board of Directors.

When new candidates for membership on the Board of Directors are selected, the Appointments Committee ensures that the candidates proposed are upstanding and qualified persons widely recognised for their expertise, compe-
tence, experience, qualifications, training, availability, and commitment to their duties, providing appropriate balance to the composition of the Board of Directors.

The Appointments Committee verifies, to the extent practicable, that nominees are not affected by any of the instances of disqualification from or prohibition against holding office as directors or by any of the grounds for conflict of duties or interest established by law or in the Corporate Governance System, that the procedures for the selection of directors are free from any implied bias involving any kind of discrimination, and, in particular, that they do not hamper the selection of female directors.

By way of guidance only, the Board of Directors takes into account that directors should generally not exceed the age of seventy years or hold the position for more than twelve years.

The Company has a succession plan for non-executive directors, which attempts to ensure that the renewal thereof occurs on an laddered and orderly basis, anticipating expected vacancies (due to the age of the directors or their time in office).

In addition, the Board of Directors has approved a succession plan for the chairman of the Board of Directors and chief executive officer, which shall apply if he gives early notice of his desire to resign from his position, or in the event of limited and unexpected non-availability.

The text of both plans is set out in Annex I to this Policy.

The Group also has a specific programme for the training and monitoring of officers encouraging internal promotion and ensuring the orderly succession of senior management and other key positions within the Company and the Group.

Finally, both the chairman of the Board of Directors and chief executive officer as well as the senior officers and other persons holding key positions have a person who can replace them in their positions in the event of a limited absence.

Each of the replacements has been chosen based on the personal and professional competence required to hold the position.

16. Information, Updating, and Evaluation of the Board of Directors

The Company has a programme to provide directors with information and updates in response to the need for professionalisation, diversification, and qualification of the Board of Directors.

In order to improve their knowledge of the Group, presentations are made to the directors regarding the businesses of the Group. In addition, a portion of each meeting of the Board of Directors tends to be dedicated to a presentation on economic, legal or political/social issues of importance to the Group.

The directors have access to a specific application, the directors’ website, that facilitates performance of their duties and the exercise of their right to receive information. This website includes information deemed appropriate for preparation of the meetings of the Board of Directors and the committees thereof in accordance with the agenda, as well as materials relating to director training programmes and the presentations made to the Board of Directors.

In addition, the minutes of the meetings of the Board of Directors and the committees thereof or an extract or summary thereof is also included on the directors’ website, after they have been approved.

The Board of Directors evaluates, on an annual basis, its operation and the quality of its work, the performance of duties by the chairman of the Board of Directors and chief executive officer, and the operation of its committees. To such end, the Board of Directors draws on the cooperation of an independent firm of recognised standing.

17. Duties and Obligations of Directors

The directors shall comply with the duties and obligations laid down by law and in the Corporate Governance System, which include the following:

(i) Duty of diligent management, which entails the obligation to adequately prepare and attend the meetings of the Board of Directors and the committees thereof and to participate actively in the deliberations, in order for their opinion to effectively contribute to decision-making.

In the event that, due to well-founded reasons, directors are unable to attend, they shall give appropriate instructions to the director representing them at the meeting in question. Non-executive directors may only give a proxy to other non-executive directors.

This duty of diligence also includes the duty to inform the Board of Directors of any irregularities in the management of the Company of which the directors may have had notice, and to monitor any situation of risk.
(ii) Duty of confidentiality, which requires them to refrain from disclosing any information to which they may have had access while in office, even after the director no longer holds such position.

(iii) Duty not to compete, while in office and for a term of two years following the end of their tenure as directors, during which time they may not be directors or officers of or render services to other companies having a corporate purpose that is similar, in whole or in part, to that of the Company, or that compete with it, with the exceptions set forth in the Corporate Governance System. Directors must disclose to the Company all the positions they hold and the activities they carry out at other companies or entities, as well as their other professional commitments and any significant change in their professional status.

(iv) Duty of loyalty, which includes the obligations to report any conflict of interest and to refrain from participating in deliberations relating thereto, to submit their transactions with companies of the Group to prior approval, and to inform the Company of any fact or event that may be relevant to their activities as director. It also includes a prohibition against using corporate assets (including confidential information) in order to obtain any financial benefit and against taking advantage of business opportunities for their own benefit or for the benefit of related parties. Finally, directors must submit their resignation to the Board of Directors in cases of disqualification, lack of competence, supervening prohibition against performing the duties of director, and other instances established in the Corporate Governance System.

Directors must also observe the rules of conduct established in the legal provisions governing the securities market and, in particular, those contained in the Internal Regulations for Conduct in the Securities Markets.

In addition, directors must conform their behaviour as directors to the ethical principles and obligations inherent to the culture and to the Mission, Vision, and Values of the Iberdrola group. The ethical duties of the directors of the Company are governed by a Directors’ Code of Ethics.

Directors must also observe the rules that, acting under its powers of self-organisation, the Board of Directors may approve at any time with a view to the better performance of their duties, which are included as Annex I to this General Corporate Governance Policy.

The obligations imposed upon the directors shall equally bind the individuals appointed to represent corporate directors in the performance of their duties and, in the manner established in the Corporate Governance System, the individuals and legal entities related to the director.

18. Director Remuneration

The Board of Directors submits the director remuneration policy for approval of the shareholders at the General Shareholders’ Meeting upon the terms required by law.

This policy, which contains the provisions provided by law, is intended to cause the remuneration payable to the directors to be comparable to the remuneration paid at companies of similar size or activities in the market, and to ensure that it takes into account the dedication and responsibility assumed as well as their performance and achievement of objectives, all with a view to making remuneration commensurate with the long-term return for the shareholders.

The director remuneration policy is also designed to achieve the motivation and loyalty of executive directors, as well as the independence of external directors, and the application thereof will be the subject of the required Annual Director Remuneration Report that will be made available to the shareholders on the occasion of the call to the Annual General Shareholders’ Meeting and will be submitted to a consultative vote of the shareholders as a separate item on the agenda.

Furthermore, the Board of Directors seeks to ensure the transparency of the remuneration paid to the directors and, for such purpose, it includes in the notes to the annual accounts of the Company and in the Annual Director Remuneration Report a detailed description, according to positions and categories, of all items of remuneration received by the directors.

19. Meetings of the Board of Directors

The Board of Directors meets with the frequency that the chairman thereof deems appropriate, but at least eight times per year, and must hold at least one meeting each calendar quarter. The schedule of regular meetings is set by the Board of Directors itself before the beginning of each financial year, and may be amended by resolution thereof or by decision of its chairman.

The Board of Directors also meets when the chairman resolves to call an extraordinary meeting thereof or when such extraordinary meeting is requested of it by one-fourth of the directors or by a vice-chairman or by the lead independ-
ent director, if any. In the three last-mentioned cases, the chairman of the Board of Directors must call the meeting within ten days of receipt of the request.

The call to meetings of the Board of Directors is carried out by the secretary of the Board of Directors or whoever acts in the secretary’s stead, with the authorisation of the chairman of the Board of Directors, by any means allowing for the receipt thereof, and preferably through the directors’ website.

Any director may request the inclusion of additional items on the agenda proposed by the chairman of the Board of Directors, and the latter shall be required to include them when the request is made not less than two days prior to the date scheduled for the holding of the meeting.

20. Positions on the Board of Directors

a) Chairman of the Board of Directors & chief executive officer

The chairman of the Board of Directors carries out the senior management of the Company and is the representative thereof, directs debates, ensures the proper operation of the Board of Directors, and stimulates the participation of all the directors in the meetings and deliberations. The chairman also chairs the General Shareholders’ Meeting and directs its debates and deliberations.

In his capacity as chief executive officer, he regularly submits the management report to the Board of Directors and the Executive Committee, which he also chairs, and, if appropriate, makes proposals for decisions regarding the matters within their powers.

In addition, he proposes to the Board of Directors for approval the determination and modification of the Company’s organisational chart, the appointment and removal of senior officers, and any compensation or indemnification to which they may be entitled, following reports, if any, from the Appointments Committee and the Remuneration Committee. He also proposes to the Appointments Committee, for submission to the Board of Directors, the Senior Officer Remuneration Policy, as well as the basic terms of their contracts.

b) Lead Independent Director

The Board of Directors, upon a proposal of the Appointments Committee with the abstention of the executive directors, shall appoint a lead independent director (consejero coordinador) from among the independent directors.

The lead independent director has powers to chair meetings of the Board of Directors in the absence of the chairman and the vice-chairs, to 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; in the preparation of the agenda for each meeting and requesting the inclusion of matters on the agenda; to coordinate, meet with, and reflect the concerns of the non-executive directors; to lead the evaluation of the chairman of the Board of Directors; and to lead any process for the succession thereof. The lead independent director may also maintain contacts with shareholders when so decided by the Board of Directors.

c) Secretary of the Board of Directors

The secretary of the Board of Directors is responsible for ensuring the formal and substantive legality of all actions taken by the Board of Directors and compliance thereof with the Corporate Governance System, and the duties thereof include drafting the minutes of its meetings, which shall record the discussions that take place and the resolutions adopted, including the presentations of the directors, whenever they expressly request that they be recorded in the minutes or when, in the opinion of the secretary, they are relevant to understand the discussions.

The secretary of the Board of Directors also coordinates the work of the secretaries of the committees of the Board of Directors as to all matters relating to the Corporate Governance System and to regulatory compliance.

The secretary of the Board of Directors also advises the Board of Directors on the status of the Corporate Governance System at any time, ensures that the resolutions of the Board of Directors take into account the good governance recommendations applicable to the Company, and reports on new corporate governance initiatives at the domestic and international level.

21. Checks and Balances System

The Corporate Governance System provides the measures necessary to ensure that neither the chairman of the Board of Directors & chief executive officer nor the Executive Committee have a decision-making power that is not subject to appropriate checks and balances, as well as the measures to ensure that both are under the effective supervision of the Board of Directors.
In this regard, the Board of Directors has a large majority of independent directors, with consultative committees that are made up entirely of non-executive directors. In addition, a permanent delegation of powers of the Board of Directors requires a favourable vote of at least two-thirds of its members. The same majority is required for the appointment of an executive director as chairman of the Board of Directors.

Furthermore, the role of lead independent director serves a counterbalance to that of the chairman when the chairman is an executive director, ensuring that the activities thereof are subject to proper controls.

The corporate and governance structure of the Group is also designed such that management power is not centralised within a single governance body or a single person, but rather is decentralised among the boards of directors of the head of business companies, the Company’s main function being the supervision, organisation, and strategic coordination of the Group. This function of organisation and coordination is also strengthened with the existence of country subholding companies in those countries and businesses in which the Board of Directors of the Company has so decided.

The effective application of this system of checks and balances is verified on an annual basis as part of the evaluation of the operation of the Board of Directors. A prestigious independent international firm collaborates in said evaluation, the conclusions of which are set forth in a report.

22. Committees of the Board of Directors
The Board of Directors of the Company has an Executive Committee and four consultative committees: the Audit and Risk Supervision Committee, the Appointments Committee, the Remuneration Committee, and the Corporate Social Responsibility Committee.

a) Executive Committee
As a delegated decision-making body of the Board of Directors, the Executive Committee is a basic corporate governance instrument of the Company. It therefore meets at the intervals deemed necessary by its chair for the discharge of its duties. It also meets when so requested by two of its members.

The chair of the Executive Committee informs the Board of Directors, at the next meeting thereof following the meetings of the committee, of the matters dealt with and the resolutions adopted by the Executive Committee during its meetings.

b) Consultative Committees
The Board of Directors also has the following non-executive consultative committees:

(i) The Audit and Risk Supervision Committee, whose general duty is to supervise the effectiveness of internal control at the Company and its Group, as well as of its risk management systems, the activities of the Internal Audit Area, which is functionally controlled by such Committee, the activities and independence of the auditor, and the process of preparing economic and financial information.

(ii) The Appointments Committee, with information, advisory, and proposal-making powers in connection with the composition of the Board of Directors and of the committees thereof, the process for appointment to internal positions on the Board of Directors and of senior officers, the selection of candidates for the position of director, the evaluation, re-election, removal, and withdrawal of directors, and the remuneration of directors and senior officers.

(iii) The Remuneration Committee, with information, advisory, and proposal-making powers in connection with the remuneration of directors and senior officers.

(iv) The Corporate Social Responsibility Committee, whose general duty is to promote the Company’s strategies in the areas of corporate social responsibility, sustainability, corporate reputation, and corporate governance and to supervise compliance with the Corporate Governance System.

The Group’s Governance Model

23. Corporate and Governance Structure
The corporate structure of the Group, which forms an essential part of the Corporate Governance System, is comprised of:

a) The Company, which is configured as a holding company, the main function of which is to act as the entity owning the equity stakes in the country subholding companies.
b) The country subholding companies, which, in each of the countries in which the Group operates, group together the equity stakes in the energy head of business companies acting in that territory. The Group also has a country subholding company for the non-energy head of business companies, which do business in various countries.

c) The head of business companies.

This structure is intended to favour an agile and rapid decision-making process in day-to-day management that is dependent on the head of business companies, while at the same time achieving appropriate coordination at the Group level based on the supervisory duties performed by the Company’s country subholding companies.

Based on this corporate structure, the Group’s governance model is determined upon the principles described below, which duly distinguish between day-to-day and effective management duties, on the one hand, and supervision and control duties, on the other:

a) Attribution to the Board of Directors of the Company of the powers relating to establishing the Group’s policies and strategies and the basic guidelines for the management thereof, as well as general supervision of the development of such policies, strategies, and guidelines, and of decisions on matters of strategic importance at the Group level, while fully observing the special framework of strengthened autonomy of the listed country subholding companies referred to in d) below.

b) Assumption by the chairman of the Board of Directors & chief executive officer, with the technical support of the Operating Committee, by the Business CEO (director general) appointed by the Board of Directors, with overall responsibility for all of the businesses of the Group, and by the rest of the management team, of the duty of organisation and strategic coordination within the Group.

c) The function of strategic organisation and coordination is also strengthened through country subholding companies in those countries in which the Board of Directors of the Company has so decided. These entities group together equity stakes in the energy head of business companies carrying out their activities within the various countries in which the Group operates. This structure is rounded out with a country subholding company that groups together certain equity interests in other entities, including the non-energy head of business companies, with a presence in various countries.

One of the main functions of the country subholding companies is to centralise the provision of services common to the head of business companies, always in accordance with the provisions of applicable law and especially the legal provisions regarding the separation of regulated activities.

Country subholding companies have boards of directors that include independent directors and their own audit committees, internal audit areas, and compliance units or divisions.

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 and with respect to the businesses grouped within each of them, taking into account the characteristics and unique aspects of such countries.

d) The listed country subholding companies of the Group have a special framework of strengthened autonomy that covers regulatory matters, related-party transactions, and management.

In particular, all transactions between the listed country subholding company and the subsidiaries thereof with the other companies of the Group require approval by a committee of the Board of Directors of said country subholding company made up solely of directors not linked to the Company.

The special framework of strengthened autonomy is implemented in the respective contracts signed by the Company with each listed country subholding company.

e) The head of business companies of the Group assume decentralised executive responsibilities, enjoy the independence necessary to carry out the day-to-day administration and effective management of each of the businesses, and are responsible for the day-to-day control thereof.

These head of business companies are organised through their respective boards of directors, which include independent directors where appropriate, and their own management decision-making bodies; they may also have their own audit committees, internal audit areas, and compliance units or divisions.

This corporate and governance structure of the Group operates jointly with the Group’s Business Model, which entails the global integration of the businesses and aims to maximise the operational efficiency of the various business units. Likewise, it ensures the dissemination, implementation, and monitoring of the overall strategy and the basic management guidelines established for each business, primarily through the exchange of best practices among the various companies of the Group, without detracting from independence in decision-making by each of them.

Within the Group’s corporate and governance structure, the Operating Committee is an internal committee of the Company that provides technical, information, and management support, both with respect to the functions of definition, supervision,
organisation, and monitoring of the general management guidelines and to the strategic planning of the business managed by the head of business companies of the Group, in accordance with the Business Model of the Group referred to above.

24. Entities in the Nature of Foundations Related to the Iberdrola Group
The country subholding companies are related to various entities in the nature of foundations, which are not a part of the Group’s corporate structure and the mission of which is to develop initiatives that effectively contribute to improving people’s quality of life in the regions and countries in which the Group operates, particularly in the areas of energy sustainability, art, and culture, as well as solidarity and social action, and for the achievement of whose purposes they act independently, with full powers and autonomy.

Such entities implement, in their respective countries, the corporate social responsibility strategy designed by the Board of Directors of the Company, to the extent consistent with their foundational purposes and as assigned thereto by the Board of Directors of the country subholding company to which they are related. Every year, they receive from the Group the funds required to carry out their activities.

In particular, an appropriate framework for collaboration among the various entities in the nature of foundations related to the Group is established through the Foundations Committee of the Iberdrola Group, for the coordination of general interest and corporate social responsibility activities that are entrusted thereto.

Corporate Website

25. Corporate Website
The corporate website is one of the principal means to channel the relations of the Company with all of its stakeholders, encourage the engagement thereof, reinforce their sense of belonging, strengthen the Iberdrola brand, promote the development of the Group’s businesses and the digital transformation thereof, and show the Company’s commitment to the provisions of the Mission, Vision, and Values of the Iberdrola group.

The corporate website contains the most significant information for the principal stakeholders regarding the Company, as well as the content provided for in the By-Laws and in the Regulations for the General Shareholders’ Meeting.

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.

It is structured around specific sections intended to identify the Company, the Group, and their activities; describe the Company’s position regarding corporate governance, sustainability, and the environment; and promote its relations with the most significant stakeholders (shareholders and investors, employees, customers, and suppliers) and with society in general.

The Company shall promote the accessibility of the corporate website.

Regulatory Compliance and Code of Ethics

26. Compliance Unit
The Company has a Compliance Unit, which is a collective internal and permanent body linked to the Company’s Corporate Social Responsibility Committee, responsible for proactively ensuring regulatory compliance, configured in accordance with the Corporate Governance System, for which purpose it has broad powers, budgetary autonomy, and independence of action.

The Compliance Unit has a director of compliance, who has the status of director of the Compliance Unit. The director of compliance prepares an annual report regarding compliance with the legal provisions on separation of regulated activities within the Group based on the reports that for such are provided to the compliance divisions of the country subholding companies holding equity interests in companies carrying out regulated activities. The aforementioned report is sent through the Unit to the Board of Directors of the Company for its information.

The director of compliance manages the operation of the Compliance Unit and its budget, and is responsible for carrying out the respective measures and action plans and for ensuring that the Compliance Unit duly proactively performs the duties assigned to it in the Corporate Governance System.

The Compliance Unit, through its director or the compliance divisions provided that applicable law so allows, has access to the information, documents, and offices of the companies, directors, officers, and employees of the Group, including the minutes of the management, supervisory, and control bodies, necessary for the proper performance of
its duties. In that regard, all employees, officers, and directors of such companies must provide to the Compliance Unit such cooperation as is requested of them for the proper performance of its duties.

To the extent possible and provided it does not affect the effectiveness of its work, the Compliance Unit acts transparently, informing the affected directors, officers, and employees of the purpose and scope of its actions whenever practicable and appropriate.

The Compliance Unit and the compliance divisions of the other companies of the Group perform their duties in keeping with the principles of cooperation and coordination, and particularly observing the framework of strengthened autonomy of the listed country subholding companies.

27. Code of Ethics

The Group has a Code of Ethics that develops the principles contained in the Mission, Vision, and Values of the Iberdrola group and that serves as a guide for the conduct of its professionals in a global, complex, and changing environment. The Code of Ethics sets forth the Company’s commitment to the principles of business ethics and transparency in all areas of activity and establishes a set of principles and guidelines for conduct designed to ensure ethical and responsible behaviour by all professionals of the Group in the performance of their activities.

The powers of the Compliance Unit include promoting the dissemination and awareness of and compliance with the Code of Ethics, general, superior and binding interpretation of the Code of Ethics, supervising and coordinating the application of the Code of Ethics, resolving any questions or concerns raised with respect to the contents, interpretation, and application of or compliance with the Code of Ethics, particularly with respect to the application of disciplinary measures by the competent bodies, and promoting procedures for verification and investigation of complaints received and issuing appropriate decisions regarding the investigative files processed.

28. Ethics Mailboxes

The Company and any country subholding or head of business companies of the Group shall have Ethics Mailboxes enabling the Group’s professionals and the Company’s shareholders, as applicable, to confidentially report any conduct that may involve a breach of the Corporate Governance System or the commission by a Group professional of an act that is illegal or in violation of the rules of conduct of the Code of Ethics. The Group undertakes not to make any direct or indirect retaliation against persons that have reported an instance of irregular conduct through such Ethics Mailboxes.

The Compliance Unit and any compliance units or divisions created at country subholding or head of business companies of the Group, as applicable, are responsible for processing communications sent through the Ethics Mailboxes.

This General Corporate Governance Policy was initially approved by the Board of Directors on 18 December 2007, and was last amended on 6 April 2016.
ANNEX I. Self-organisation Rules of the Board of Directors

Succession Plan for Non-Executive Directors

On periodic basis, and at least once per year, the Appointments Committee shall review whether it can be expected that any of the non-executive directors will cease to perform their duties during the financial year due to issues of age or time in office or for any other reason.

In such case the Appointments Committee shall drive the selection process established in the Director Candidate Selection Policy to identify a candidate with sufficient time to ensure an orderly succession.

Pursuant to the provisions of the aforementioned Director Candidate Selection Policy, there shall be an analysis of, among other things, the profiles of the independent directors of the companies of the Group, which are one of the main sources to identify potential candidates as directors of the Company, as well as any persons suggested by the directors.

Succession Plan for the Chairman of the Board of Directors & Chief Executive Officer

If the chairman of the board of directors & chief executive officer gives early notice of his desire to resign from his position, the succession thereof shall be planned and coordinated by a specific committee, which shall be convened and chaired by the lead independent director and shall be made up of the lead independent director, the chairs of the consultative committees of the Board of Directors, and by the chairman & CEO himself.

The committee may contract for the advice of an independent expert to be paid for by the Company.

Within a period of not more than thirty days from the chairman of the Board of Directors and chief executive officer giving early notice of his desire to resign from his position, the committee shall provide to the Board of Directors a specific proposal regarding the replacement thereof, which must take into consideration the special personal and professional skills of the candidate and the ability thereof to led the development and implementation of the strategic plan in effect.

In the event of limited or unexpected unavailability of the chairman of the Board of Directors & chief executive officer, the vice chair, if any, or in the absence thereof the director having the longest length of service, and if equal lengths of service, the oldest, shall temporarily assume the chairmanship of the Board of Directors, which must be convened to meet within a period of not more than forty-eight hours from the time that such unavailability becomes known. The agenda of this meeting shall include the identification of the person temporarily assuming the duties of chief executive, and the planning of the definitive succession shall be entrusted to a specific committee upon the terms described above.

Limitations on the Number of Directors that may Travel Together on the Same Means of Transport

The following mandatory limitations are established on the maximum number of directors that may travel together on the same means of transport:

a) One-half or more of the total number of members making up the Board of Directors at any time may not travel together on the same means of transport.

b) To the extent that circumstances permit, efforts shall be made to ensure that the chairman and the vice-chairman of the Board of Directors, if any, do not travel together on the same means of transport. If there are several vice-chairmen of the Board of Directors, this rule shall be applied such that at least one of the vice-chairmen must travel separately. The same rule shall apply for the secretary and deputy secretaries of the Board of Directors.

"Means of transport" shall mean any vehicle used for the transport of persons by land, sea, or air, including automobiles, buses, trains, ships, and aeroplanes (whether commercial or private).

IT Security and Privacy Rules

The following mandatory limitations are established on the use by the directors of systems, applications, and IT and data transmission elements made available to them by the Company:

a) Directors must follow the instructions established and communicated to them by the Company concerning access, security, operation, and use of the hardware and software, including computer programs, access to websites, applications, and mobile communication devices.
b) Directors must first inform the Company of the use of private data transmission devices with capability to access the Company’s systems and applications and must follow the compatibility and confidentiality instructions established for such purpose by the Company.

c) At the meetings of the Board of Directors and of the committees thereof, as well as at any other meeting in which the directors of the Company participate in their capacity as directors, they shall observe the security and privacy protocols established by the Company, which may provide that mobile telephones and data transmission devices in general are to be switched off during the entire duration of such meetings, as well as restrictions on receiving or making calls or connections during the meetings.

The Company shall respect and protect the privacy of directors’ communications and data in the use of the systems, applications, and IT and data transmission elements it makes available to them.
Shareholder Engagement Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) approves this Shareholder Engagement Policy in order to encourage the engagement of its shareholders in certain areas of the life of the Company. The Shareholder Engagement Policy, which further develops the vision and values of the Company in matters of corporate governance and is one of the main pillars of its strategy in this area, lays down the principles that must govern the two-way interaction with its shareholders, with due respect for the principle of equal treatment of all shareholders in the same situation and with appropriate guarantees designed to avoid the transmission of information that might give some shareholders a privilege or advantage vis-à-vis other shareholders or that might damage the corporate interest.

The approval of this Policy completes and further develops the framework of relations between the Company and its shareholders, the basis for which is set out in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, which guarantees transparency in the provision of information to the shareholders.

1. Principles

The Shareholder Engagement Policy rests upon the following principles:

a) A proactive search for two-way interaction with the Company’s shareholders in order to encourage their engagement in corporate life and forge a sense of belonging, maintaining a constructive, ongoing, and effective dialogue with them that helps align their interests and those of the Company.

b) The ultimate purpose of shareholder engagement in corporate life is to enable the Board of Directors, which is vested with management and representation of the Company, to become apprised of the shareholders’ opinions and concerns in the areas of corporate governance and social responsibility, in order to take them into account in the discharge of its duties in furtherance of the corporate interest.

c) The main channel for shareholder participation is the General Shareholders’ Meeting. Without prejudice thereto, the Company establishes other channels that, without detracting from the powers of the shareholders at such Meeting, may promote effective shareholder engagement in the life of the Company.

d) All shareholder relations must abide by the principle of equal treatment regarding recognition and exercise of rights accruing to all shareholders that are in the same situation and that are not affected by conflicts of duties or interest.

e) In all instances of contact between the Company and the shareholders, appropriate measures shall be adopted in order to avoid the transmission of information that might give them a privilege or advantage vis-à-vis other shareholders or that might damage the corporate interest.

f) The function of interaction with the shareholders falls within the exclusive purview of the Board of Directors, acting collectively, and of the chairman & chief executive officer thereof, to whom all powers in this regard have been delegated.

g) Both the Board of Directors and the chairman & chief executive officer thereof may delegate the exercise of this function to such Company professionals as they deem advisable in order for them to manage and promote the effective operation of the channels for shareholder participation.

h) The Board of Directors and the chairman & chief executive officer thereof may entrust the coordinating director or the other members of the Board of Directors with interaction with specific shareholders regarding specific issues relating to the Company’s corporate governance. The directors shall have such power only upon delegation from the Board of Directors.

i) Except as provided in paragraph h) above, the directors do not constitute a valid channel for participation, and therefore, they have neither the duty nor the power to interact with the shareholders.
j) In order to implement this Shareholder Engagement Policy, the Company will make use of new technologies allowing for the establishment of effective and fruitful dialogue with the largest possible number of shareholders.

k) The Company shall adopt such measures as are needed to ensure due coordination between the initiatives undertaken by the Company under this Shareholder Engagement Policy and the implementation of the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors.

l) This Shareholder Engagement Policy shall be applied by taking into account the provisions of law and those contained in the Corporate Governance System and, in particular, in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, the Regulations of the Board of Directors, the Internal Regulations for Conduct in the Securities Markets, the Code of Ethics, the Procedure for Conflicts of Interest and Related-Party Transactions with Directors, Significant Shareholders, and Senior Officers, and the Internal Rules for the Processing of Inside Information.

2. Areas of Engagement

Except as provided by law and in the Corporate Governance System, shareholder engagement under the provisions of this Shareholder Engagement Policy shall be limited to the areas of corporate governance and social responsibility of the Company, both in Spain and in the other countries in which it has a presence.

Shareholder engagement in the Company shall in no event serve as a cover for conduct that is contrary to the corporate interest or that seeks the fulfilment of personal and individual interests not aligned therewith.

3. Channels for Engagement

The Company has the following channels for shareholder participation therein, by means of which their involvement is encouraged in the areas of engagement.

Outside such channels and the other general channels for the provision of information and for communication contemplated in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, the interaction between the Company and the shareholders falls within the exclusive purview of the Board of Directors, acting collectively, and of the chairman & chief executive officer thereof, who delegate the conduct of part of such activities to the Office of the Secretary of the Board of Directors and the Finance and Resources Division, either directly or through the Investor Relations Division.

3.1 General Shareholders’ Meeting

The General Shareholders’ Meeting is the main channel for shareholder participation in corporate life. It is held within the framework of Shareholder Day, during which various presentations are made and activities are carried out in order to bring the Company closer to the shareholders and foster a constructive dialogue with them. Its organisation complies with the provisions of the Sustainability Policy as regards the sustainable management of events.

In addition to encouraging the informed and responsible participation of the shareholders at the General Shareholders’ Meeting as provided in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, the Board of Directors shall promote two-way interaction with the shareholders through the other participation channels.

The purpose of the foregoing is to enable the Board of Directors to become apprised of the opinions and concerns of the shareholders, such that it may take them into account upon drawing up the agenda, preparing the proposed resolutions, and making decisions regarding the other details and circumstances in connection with the holding of the General Shareholders’ Meeting.

Furthermore, the Board of Directors shall actively promote shareholder attendance at the General Shareholders’ Meeting and the possibility of shareholder participation therein, pursuant to the provisions of law and the Corporate Governance System. For such purposes, it shall facilitate access to the documents in connection with the General Shareholders’ Meeting and the understanding of the information relating to the matters to be addressed therein. It may also carry out other proactive actions designed to encourage maximum participation of the shareholders, such as telephone information campaigns.

On the day that the Annual General Shareholders’ Meeting is held, the Company may organise informal meetings between Company representatives and shareholders. The Board of Directors, the chairman & chief executive officer, the coordinating director, or the professionals to whom the exercise of the function of interaction with shareholders
has been delegated shall prepare in advance such instruments as may be needed to ensure a fluid and productive dynamic at such meetings.

Financial institutions acting as intermediaries, managers, and depositaries of the Company’s shares have the duty to inform the holders of shares regarding the rights they are entitled to exercise, as well as the duty to adopt any measures required to ensure that the shareholders or any third parties designated by them may exercise such rights personally when they so deem advisable and to take responsibility for the fact that the instructions they transmit to the Company on behalf of their customers are valid and faithfully correspond with those received from the holders of the shares.

The purpose of all of the foregoing is to enable the Board of Directors, within the framework of the corporate interest, to take into account the intent of the shareholders, as expressed through their vote and their presentations during the General Shareholders’ Meeting, when the Board of Directors designs the Company’s strategy and, in particular, when it prepares any applicable amendments of the Corporate Policies.

Finally, information shall be provided at the General Shareholders’ Meeting regarding the activities carried out by the Company in implementation of the provisions of this Shareholder Engagement Policy. Information shall also be provided, through such person as is designated to this end, regarding the main proposals or concerns in connection with corporate governance and the social responsibility strategy that have been reported through the channels for engagement.

3.2 Meetings through the OLS – On-Line Shareholders Interactive System

The interactive system (OLS – On-Line Shareholders) available on the corporate website will allow the shareholders (who may access with their user name and password) not only to view and request the information set forth in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors but also to actively participate in meetings to be held electronically with Company representatives designated by the Board of Directors or by the chairman & chief executive officer thereof, regarding corporate governance and other matters that are significant for corporate life and which have an impact on stakeholders and on the communities and territories in which the Company operates.

The Company may set an annual schedule of electronic meetings of Company representatives with shareholders who have registered with the OLS interactive system, setting forth the matters to be dealt with at each meeting.

All shareholders who have registered with the OLS interactive system may participate in the electronic meetings, which will be moderated by a representative of the Office of the Shareholder.

3.3 Relations with Shareholder Associations and Institutional Shareholders

The Company acknowledges the importance of shareholder associations as a suitable vehicle for representation of minority shareholders and for transmission of their opinions and concerns regarding the Company’s corporate governance and social responsibility strategy, and appreciates the existence thereof.

In addition, the existence of institutional shareholders having a stable and continuous presence in the Company’s shareholder base is welcome to the extent it may allow for the creation of sustained value in the medium and long term and the establishment of firm mutual bonds of loyalty that do not give rise to conflicts of duties or interest.

Without prejudice to the meetings or other contacts promoted by the Company, both shareholder associations and institutional shareholders may request, through the Investor Relations Division, the holding of meetings with Company representatives designated by the Board of Directors or by the chairman & chief executive officer thereof, setting forth the specific matters to be addressed therein.

The Company will review such requests and will accommodate them when it so deems appropriate and provided that, in so doing, the provisions of this Shareholder Engagement Policy are not breached.

In the event that the Company agrees to hold a meeting with a shareholder association or with one or more institutional shareholders, the Board of Directors or the chairman & chief executive officer thereof shall designate, at a minimum, two representatives of the Company, who shall be informed of the specific matters to be dealt with and with whom the content of and the information that may be provided at such meeting shall be agreed, in order to avoid the transmission of information that might entail the granting of a privilege or advantage vis-à-vis the other shareholders or that might damage the corporate interest.

In addition to the foregoing, the Board of Directors or the chairman & chief executive officer thereof may develop long-term engagement plans with shareholder associations and with those institutional shareholders that express their
intent to have a stable and continued presence in the Company and may thus establish appropriate mechanisms for communication regarding the operations of the Company.

The Company shall provide information regarding the meetings to be held and the establishment of any engagement plans or communication mechanisms as provided in section 4 below.

3.4 Events Organised by the Shareholders’ Club

The Shareholders’ Club actively encourages two-way interaction between the Company and the shareholders who voluntarily join such Club and are interested in such interaction.

For such purpose, it organises events in which its members are invited to participate and during which Company representatives and, on occasion, other notable persons, exchange viewpoints with the shareholders and discuss matters relating to corporate governance and the social responsibility strategy pursued by the Company.

3.5 Awareness-raising and Involvement Workshops

The Company organises subject-specific, face-to-face awareness-raising and involvement workshops, which are open to the public at large and in which shareholder participation is encouraged, debate is promoted, and information is provided on matters concerning the activities carried out by the Company, primarily in connection with its social responsibility strategy.

Specifically, the Office of the Shareholder regularly invites the shareholders who have voluntarily entered their names in its database to take part in such workshops.

4. Dissemination

The Company shall disseminate through the corporate website and social media all activities intended to seek shareholder engagement in the life of the Company that are conducted in implementation of the provisions of this Shareholder Engagement Policy and are directed to all shareholders.

Furthermore, the Company shall publish on the corporate website an annual report on the practical application of this Shareholder Engagement Policy and of the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, including information regarding the relations maintained with associations of shareholders and institutional shareholders and on other activities carried out through the participation channels described above (other than the General Shareholders’ Meeting).

5. Coordination of Participation Activities and with the Policy regarding the Provision of Information to and Communication with Shareholders and the Markets

All activities carried out through the participation channels described above and, specifically, the content of the information provided to the shareholders within the framework of such activities, shall be properly coordinated with the content of the information provided and the communications made by the Company pursuant to the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors.

The Office of the Shareholder shall be the internal body within the Company responsible for such coordination. For such purpose, the Office of the Shareholder shall rely on the support of the Finance and Resources Division or of the Office of the Secretary of the Board of Directors when such support is required by the circumstances.

Additionally, the Investor Relations Division shall periodically report to the chairman of the Board of Directors & chief executive officer regarding the conduct of the activities carried out in implementation of the provisions of this Shareholder Engagement Policy. The chairman of the Board of Directors & chief executive officer shall in turn report thereon to the Board of Directors or to the Executive Committee at such intervals as he deems appropriate.

This Shareholder Engagement Policy was initially approved by the Board of Directors on 17 February 2015 and was last amended on 23 February 2016.
Shareholder Remuneration Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) is responsible for preparing the Shareholder Remuneration Policy thereof and making the corresponding proposals for the remuneration of its shareholders. The Shareholder Remuneration Policy of the Company is based on the following principles:

1. Purpose
The purpose of the Shareholder Remuneration Policy is to link shareholder remuneration to the profits of the Company.

2. Sustainable Creation of Value and Improvement in Profitability
The mission of the companies making up the group of which the Company is the controlling entity, within the meaning established by law, is to lead the sustainable creation of value for society, citizens, customers, shareholders, and the communities in which it does business, equitably compensating all groups that contribute to the success of its business enterprise, and to make new investments considering their social return, generating employment and wealth for society with a long-term vision that achieves a better future without compromising present results. Within the framework of the above and of the corporate interest, the Company takes into account in its strategic planning specific and measurable economic and financial objectives that always seek improved profitability and the sustainable creation of shareholder value.

3. Conformance to Applicable Legal Provisions
The resolutions adopted by the shareholders at the General Shareholders’ Meeting and by the Board of Directors in implementation of the Shareholder Remuneration Policy of the Company shall in all cases follow the provisions set out in applicable legal rules and the Corporate Governance System, and shall take into consideration good governance recommendations generally recognised in the international markets in this area.

4. Actions of the Board of Directors
The Board of Directors, within the scope of its powers, shall propose to the shareholders at the General Shareholders’ Meeting the decisions it deems most appropriate regarding the distribution of dividends and, if applicable, shall resolve on the payment of interim dividends. The Board of Directors may also propose other forms of the Company’s shareholder remuneration, including flexible remuneration systems (scrip dividends), programmes for the buyback and cancellation of shares, increases in paid-up capital, distributions in kind, etc., and shall decide on the intervals at which such forms shall be applied.

5. Levels of Shareholder Remuneration
In the absence of circumstances warranting the modification thereof, any of the above forms of shareholder remuneration (pay-out) of the Company must be sustainable, compatible with the maintenance of its financial strength, and in line with the level of companies having a similar business profile. In application of these standards, shareholder remuneration shall be between 65% and 75% of the net profits attributed to the Company, as controlling company, in its consolidated annual accounts.

This Shareholder Remuneration Policy was initially approved by the Board of Directors on 23 October 2007 and was last amended on 15 December 2015.
4.

Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors

The Board of Directors of IBERDROLA, S.A. (the “Company”) has recognised a strategic goal of paying continuous attention to the transparency of information and of relations with its shareholders and with professional or qualified equity, debt and socially responsible investing professionals (the “Institutional Investors”), as well as proxy advisors, which are governed by the provisions of law and the Company’s Corporate Governance System and, specifically, by the principles set out in this Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors and in the General Corporate Governance Policy.

The listed country subholding companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”) may establish their own policy regarding communication and contacts with shareholders, institutional investors and proxy advisors, which must in any case follow the general principles set forth in this Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors.

1. General Principles

The Board of Directors is entrusted with the highest-level management and supervision of the information provided to shareholders, Institutional Investors, and the markets in general, by safeguarding, protecting, and facilitating the exercise of their rights and interests within the framework of the defence of the corporate interest, all in accordance with the following general principles:

a) Transparency, truthfulness, promptness, equality, and symmetry in the dissemination of information.

b) Equal treatment in the acknowledgement and exercise of the rights of all shareholders in the same situation and who are not affected by any conflict of interest or competition.

c) Protection of the rights and legitimate interests of all the shareholders.

d) Promotion of ongoing and permanent provision of information to the shareholders, and not only upon the call to General Shareholders’ Meetings, by making available to them effective channels to keep them continuously informed of proposals that may be made in connection with the management of the Company, in accordance with law and the Corporate Governance System, and to report conduct that may involve a breach of the Corporate Governance System or the commission by any professional of the Company or of the companies belonging to the Group of any irregularity or of any act contrary to the provisions of the Code of Ethics, upon the terms set forth in the following sections.

e) Cooperation of the shareholders in order for the practices regarding the provision of information and relations with the markets to be transparent, effective, and in keeping with the corporate interest.

f) Development of information-technology tools that allow the Company to capitalise on new technologies, keeping it at the forefront in the use of new communication channels.

g) Coordination of the Company’s communication with the shareholders through the Shareholder Engagement Policy so that it helps promote the engagement of shareholders within the Company.

h) Compliance with the provisions of law and the Corporate Governance System, as well as with the principles of cooperation and transparency with all competent authorities, regulators, and government agencies.
The principles listed above apply to the provision of information to and the communication of the Company with shareholders, Institutional Investors, and other interested parties, such as financial intermediary and management institutions and depositaries of the Company’s shares, financial analysts, regulatory and supervisory entities, rating agencies, news agencies, proxy advisors, etc.

Without prejudice to the principles of equal treatment and non-discrimination, the Company may tailor general information and special communication channels and other initiatives regarding the provision of information to and communication with shareholders, Institutional Investors, and the markets in general based on the various groups for whom they are intended.

As regards regulatory compliance, particular attention shall be given to the rules concerning the processing of inside information and significant information, relations with the shareholders, and communication with the securities market set forth in the Regulations of the Board of Directors, the Internal Regulations for Conduct in the Securities Market, the Code of Ethics, the Procedure for Conflicts of Interest and Related-Party Transactions with Directors, Significant Shareholders, and Senior Officers, and the Internal Rules for the Processing of Inside Information.

2. General Information and Communication Channels

2.1 National Securities Market Commission and Other Entities
The first general channel for the provision of information by the Company to shareholders, Institutional Investors, and the markets in general is the National Securities Market Commission (Comisión Nacional del Mercado de Valores (“CNMV”)), as well as, where appropriate, the channels established by other foreign authorities and supervisory entities, in view of the immediate dissemination and publicity to which the information sent to these institutions is subject through the publication of significant events on their websites, which are simultaneously posted on the Company’s corporate website.

2.2 Corporate Website
The corporate website is one of the most significant means to channel the relations of the Company with all of its stakeholders, encourage the engagement thereof, reinforce their sense of belonging, strengthen the Iberdrola brand, promote the development of the Group’s businesses and the digital transformation thereof, and show the Company’s commitment to the provisions of the Mission, Vision, and Values of the Iberdrola group.

In this regard, the Company’s main official channel of communication with shareholders, Institutional Investors, and the markets in general is the Company’s corporate website (www.iberdrola.com) which is continuously updated and through which the Company makes available all information that may be of interest to shareholders and Institutional Investors, allowing for the prompt publication thereof and the possibility of subsequent access thereto, in order for transparency to be the foremost value informing the Company’s relations with the markets and with the public at large.

The secretary of the Board of Directors, in coordination with the Finance and Resources Division, decides on the information that is to be included on the Company’s corporate website.

In order to facilitate inquiries by shareholders and Institutional Investors, information disseminated by the Company through its corporate website is provided simultaneously in Spanish and English whenever possible; in the event of discrepancies, the Spanish version prevails.

The presentation of interim quarterly management statements and of Semi-annual and Annual Financial Reports, as well as other significant institutional, results-related, or economic and financial presentations, including “capital markets day” investor activities, are broadcast live via the Company’s corporate website, along with simultaneous translation into English, and interested parties are given the opportunity to ask questions regarding the presentation.

Furthermore, the Company endeavours to provide a reasonable period of direct access on its corporate website to recordings of the full broadcast of each presentation of results.

In addition to being published on the Company’s corporate website, the Company’s economic, financial, institutional, and general information is disseminated through the transmission thereof to analysts, the media, and international, domestic, and regional news agencies, after having been sent to the CNMV whenever required.

An interactive system (On-Line Shareholders – “OLS”) has been made available on the corporate website, allowing shareholders (who may access the system using their user name and password) to easily:

a) View the most frequently asked questions and answers regarding the Company.
b) Make queries of or request clarifications from other shareholders, either openly or confidentially, regarding the matters contemplated in the preceding paragraph or regarding issues relating to their status as a shareholder.
c) Access the legal and corporate documentation that they require.
d) Make queries regarding the ethical principles governing the Group or make complaints through the Shareholders’ Ethics Mailbox.
e) Request information or clarifications or ask questions regarding items on the agenda for the General Shareholders’ Meeting.
f) View the General Shareholders’ Meeting directly.
g) Participate in other activities that ultimately seek to promote the engagement of shareholders within the Company, in accordance with the provisions in the Shareholder Engagement Policy.

Pursuant to the provisions of the Regulations for the General Shareholders’ Meeting, the Company shall also make available to the shareholders through the corporate website an application that allows them to exercise their rights to receive information and to participate with respect to the General Shareholders’ Meeting.

2.3 “Investor Relations App”
The Company makes an “Investor Relations App” available to shareholders, Institutional Investors, and the markets in general. Through this continuously updated multi-device communication channel, in Spanish and English, shareholders and Institutional Investors have the ability to access information regarding the Company that might be of interest to them, favouring the immediacy of publication and the ability to subsequently access the information. Through this application, one can access, among other things, the presentation of results in real time, view charts showing the Company’s share listing and prices, financial documentation, press releases, and notices of significant events (hechos relevantes).

2.4 Social Networks
Aware of the impact of new information technologies and communication channels via the internet, the Company encourages an active presence in social networks (such as Twitter) where it endeavours to disseminate information of interest on the status and activities of the Group and to establish a fluid and fruitful dialogue with the internet community, without prejudice to or detracting from compliance with its statutory obligations.
The Company also endeavours to disseminate all or part of the proceedings at General Shareholders’ Meetings through social networks, for which purpose it may publish on the internet, in real time, the main headlines of the event, post pictures of the proceedings live on the Company’s channels, and share presentations on an internet website.

2.5 Internal Coordination for the Dissemination of News that May Contain Significant Information
In order to ensure that the dissemination of news that may contain significant information for the market is carried out under conditions of transparency, symmetry, and in compliance with the provisions of law and the Corporate Governance System (and specifically, the Internal Regulations for Conduct in the Securities Markets), the Company has established the following internal coordination rules:

a) If information generated by the Company can be classified as significant for the market or if there is any doubt as to the obligation to report it to the CNMV pursuant to law and the Corporate Governance System, the Office of the Secretary of the Board of Directors of the Company shall decide whether a notice of significant information should be sent in advance to the CNMV and, if so, to draft, review, and send such notice to the CNMV through the authorised representatives designated by the Company for such purpose.
The information included in the significant event (hecho relevante) may not be disseminated by any other means without prior publication thereof on the website of the CNMV. Furthermore, the content of the significant information disseminated to the market by any information or communication channel other than the CNMV must be consistent with that of the corresponding significant event.

b) Information generated by the Company may be reported to shareholders, Institutional Investors, and the markets without observing the foregoing rules by any means that complies with this Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, so long as there is no doubt under the law and the Corporate Governance System that such information need not be communicated to the CNMV as a significant event; or when, following consultation with the Office of the Secretary of the Board of Directors of the Company, such Office has determined, in accordance with the rules set forth in the preceding section, that a notice of significant event need not be sent to the CNMV.
3. Office of the Shareholder and Shareholders’ Club

The Board of Directors establishes appropriate channels in order for the shareholders to be kept permanently informed and in order for them to submit proposals in connection with the management of the Company, in accordance with the law and the Corporate Governance System.

The Company maintains the following channels of communication with the shareholders for such purposes:

3.1 Office of the Shareholder

The paramount purpose of the Office of the Shareholder (Oficina del Accionista) is to act as an open, permanent, and transparent channel of communication with all the shareholders of the Company, through the ongoing development of initiatives calculated to strengthen such relationship in order for the shareholders to be kept continuously informed and in order for them to submit proposals regarding the management of the Company.

The Office of the Shareholder is thus established to respond at all times and on an ongoing basis to the queries, questions, or suggestions of the shareholders through a toll-free telephone service line (900 100 019) and an e-mail address (accionistas@iberdrola.com), and is in contact with those shareholders who have voluntarily entered their names in its database.

The Office of the Shareholder shall endeavour, to the extent possible, to respond to the queries and requests made by registered shareholders, giving absolute priority to the furtherance of the corporate interest and complying with the law and the Corporate Governance System. It constitutes a permanent information system through which shareholders can inquire and stay updated about the status of the Group. To such end, and in keeping with the principles of transparency, equality, and symmetry in the dissemination of information, the replies and other documents that the Office of the Shareholder provides when it is able to comply with such requests shall be available to the public on the Company’s corporate website.

3.2 Shareholders’ Club

The Shareholders’ Club (Club del Accionista) is established as an open and permanent channel of communication between the Company and the shareholders who voluntarily become members thereof and are interested in closely following the Company’s performance. Thus, the telephone and e-mail service offered by the Office of the Shareholder is augmented by the mailing of other documents, such as annual reports, quarterly newsletters, notices sent to the CNMV, or daily closing market prices.

4. Shareholders’ Ethics Mailbox

The Company shall establish a Shareholders’ Ethics Mailbox as a channel of communication in order to enable the shareholders to report conduct that may involve failure to comply with the Company’s Corporate Governance System or the commission by any Group professional of any act that is illegal or contrary to the rules of conduct of the Code of Ethics specifically applicable to the Group’s professionals.

Communications addressed to the Shareholders’ Ethics Mailbox may be sent by completing an electronic form that shall be available on the Company’s corporate website, in a section to be entitled “Shareholders’ Ethics Mailbox”.

The guiding principles of the Shareholders’ Ethics Mailbox are the following:

a) The Group undertakes not to engage in any kind of retaliation, whether direct or indirect, against the shareholders of the Company that have reported irregular conduct through the Shareholders’ Ethics Mailbox. In any event, such communications must always comply with standards of truthfulness and proportionality, and such mechanism may not be used for purposes other than compliance with the law or the rules of the Code of Ethics mentioned above.

b) The identity of the shareholder reporting an irregular action through the Shareholders’ Ethics Mailbox shall be deemed confidential and, therefore, it shall in no event be communicated to the party named in the report, if any, thus ensuring non-disclosure of the identity of the reporting shareholder and avoiding any kind of response from the reported party as a consequence of the report.

c) Without prejudice to the foregoing, the data of the shareholders making the communication may be provided to governmental or court authorities, to the extent required by such authorities as a result of any proceeding stemming
from the subject matter of the report, as well as to persons involved in any kind of subsequent investigation or court proceeding initiated as a consequence of the investigation. Such provision of data to governmental or court authorities shall always be in full compliance with the laws on the protection of personal data.

The Compliance Unit shall be responsible for managing the communications sent through the Shareholders’ Ethics Mailbox. If the party named in the report is a member of the Compliance Unit, such member shall not be allowed to participate in the processing thereof.

Taking into account the specific circumstances of the case, the Compliance Unit may inform the shareholder who sent the communication of the status of the process.

All data provided through the Shareholders’ Ethics Mailbox shall be included in a personal data file owned by the Company in order to process the communication received and to take such investigatory steps, as well as to carry out such investigations as may be required to establish the commission of the violation.

The Company undertakes to treat all personal data of the shareholder making the communication in the strictest of confidence at all times and in accordance with the purposes contemplated in this section, and shall adopt such technical and organisational measures as may be needed to ensure the security of the shareholder’s data and avoid the alteration, loss, or unauthorised processing thereof or access thereto, taking into account the current state of the art, the nature of the data stored, and the risks to which they are exposed, all in compliance with the laws on the protection of personal data.

In any event, the Company shall include in each data collection form the warnings required by law.

5. Relations with Analysts and Institutional Investors

The Investor Relations Office, organised and managed by the Investor Relations Division, is responsible for the ongoing and individualised response to the queries of analysts and Institutional Investors, for which purpose it has an e-mail address (investor.relations@iberdrola.es).

The Company organises informational meetings regarding the status of the Company and the Group and other points of interest to analysts and Institutional Investors to give them suitable information regarding the Company. All of the foregoing is without prejudice to the strict observance by the Company of the principle of equal treatment of all shareholders in the same situation and who are not affected by any conflict of interest or competition.

6. General Shareholders’ Meeting

The Board of Directors encourages the informed and responsible participation of the shareholders at the General Shareholders’ Meeting and adopts, through the Shareholder’s Guide and by other means, such measures and safeguards as are appropriate to enable the shareholders coming together at a General Shareholders’ Meeting to effectively discharge their duties pursuant to law and the Company’s Corporate Governance System.

When the General Shareholders’ Meeting is called, the Company may use the services of agencies, financial institutions, and intermediaries for purposes of improved distribution of information among its shareholders and Institutional Investors, and the Investor Relations Office may adapt the means and instruments for proxy-granting and absentee voting to the specific circumstances of Institutional Investors.

In addition, from the call to the General Shareholders’ Meeting to the end thereof, the shareholders may rely on the support of the Office of the Shareholder, which has a service for the organisation of presentations and events prior to the General Shareholders’ Meeting. The Office of the Shareholder also has a specific site at the premises where the meeting is held in order to answer questions that the attendees may ask, as well as to serve and provide information to the shareholders who wish to use the floor.

The Office of the Secretary of the Board of Directors, with the support of the Investor Relations Office, is responsible for maintaining dialogue with proxy advisors, responding to their queries with regard to proposed resolutions submitted at a General Shareholders’ Meeting and providing them with the clarifications deemed appropriate.

Finally, the Board of Directors promotes 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, making available to them an application that allows them to request information as well as to grant a proxy and cast an absentee vote.
7. Dissemination

The Company shall publish on the corporate website an annual report regarding the practical application of the Shareholder Engagement Policy and of this Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, including information regarding relations with Institutional Investors and proxy advisors.

8. Control

The Compliance Unit shall verify that in the application of this Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors, the Company complies with the provisions of the Internal Regulations for Conduct in the Securities Markets and the other rules of the Corporate Governance System included within the scope of its powers.

The Board of Directors, or the Executive Committee, if applicable, are periodically informed of the principal relations that the Company maintains with shareholders, Institutional Investors, and proxy advisors by application of this Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors.

This Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors was initially approved by the Board of Directors on 26 October 2011 and was last amended on 23 February 2016.
Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation

1. General Principles
The Board of Directors of IBERDROLA, S.A. (the “Company”) establishes the structure of the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”). In this connection, and exercising the powers vested therein, the Board of Directors approves this Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation, which forms part of the Company’s Corporate Governance System.

Pursuant to the provisions of its By-Laws, the Company carries out its corporate purpose indirectly, through the ownership of shares or equity interests in other companies, and increasingly abroad. The corporate and governance organisation is based on the recognition of this multinational character of the Group, which is diversified, efficiently organised, and coordinated around the Company and the various country subholding companies and head of business companies, subject to certain common guidelines and to the principle of subsidiarity. The differentiation of the functions of the Company, as the holding company of the Group, a Spanish company registered in Biscay, those of the country subholding companies established in the various territories in which the Group operates, and those of the head of business companies, whether Spanish or foreign, is thus one of the basic premises of this Policy.

Accordingly, taking previous policies as a starting point, this Policy lays the foundations for the corporate and governance organisation of the Company and the Group that best reflects their multinational and multi-company nature and their presence in different businesses and industries, and that best promote the achievement of the objects of the Company and the furtherance of the corporate interest in today’s environment.

2. Definition of the Corporate and Governance Structure
The corporate structure of the Group, which forms an essential part of the Corporate Governance System, includes:

a) The Company, the principal function of which is to act as the holder of the equity stakes in the country subholding companies.

b) The country subholding companies, which in turn group together the energy head of business companies that conduct their activities in each country in which the Group operates. The Group also has a country subholding company for the non-energy head of business companies, which do business in various countries.

c) The head of business companies.

All of them have human and material resources of their own to independently carry out the duties assigned thereto by the Corporate Governance System.

This structure is intended to favour a process of agile and rapid decision-making in day-to-day management, subordinate to the head of business companies, while achieving appropriate coordination at the Group level as a result of the duties of supervising the country subholding companies and the Company.
Based on this corporate structure, the governance of the Group is determined in accordance with the basic principles described below, which duly distinguish between day-to-day and effective management duties, on the one hand, and supervision and control duties, on the other:

a) Attribution to the Board of Directors of the Company, which exclusively exercises holding company duties, of the powers relating to establishing the Group’s policies and strategies, and the basic guidelines for the management thereof, as well as general supervision of the development of such policies, strategies, and guidelines and of decisions on matters of strategic importance at the Group level, fully observing the special framework of strengthened autonomy of the listed country subholding companies referred to in paragraph d) below.

b) Assumption by the chairman of the Board of Directors & chief executive officer, with the technical support of the Operating Committee, by the Business CEO (director general) appointed by the Board of Directors, with overall responsibility for all of the businesses of the Group, and by the rest of the management team, of the duty of organisation and strategic coordination within the Group through the dissemination, implementation, and monitoring of the general strategy and basic management guidelines established by the Board of Directors.

c) The function of organisation and strategic coordination is strengthened through country subholding companies in those countries where the Board of Directors of the Company has so decided. Such entities group together equity stakes in the energy head of business companies carrying out their activities within the various countries in which the Group operates. This structure is rounded out with a country subholding company that groups together certain equity interests in other entities, including the non-energy head of business companies, with a presence in various countries. One of the main functions of the country subholding companies is to centralise the provision of services common to the companies in which it holds an interest, always in accordance with the provisions of applicable law and especially the legal provisions regarding the separation of regulated activities. Country subholding companies have boards of directors that include independent directors and their own audit committees, internal audit areas, and compliance units or divisions. The selection of directors of the country subholding companies avoids any type of implicit bias that could entail discrimination of any kind, and particularly discrimination that might hinder the selection of female directors.

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 and with respect to the business grouped within each of them, taking into account the characteristics and unique aspects of such countries.

In this regard, country subholding companies facilitate the coordination of the companies in which they hold interests and are assigned responsibility for effective compliance with the laws and regulations on separation of regulated activities.

In order to concretise the application of the Corporate Governance System based on the applicable law in each country, as well as the characteristics and unique aspects of such countries, and to meet the responsibilities that the Corporate Governance System assigns thereto, the country subholding companies approve the rules applicable to the companies in which they have a stake, and specify the application at the country level, if applicable, of the content of the basic policies and guidelines approved by the Company’s Board of Directors for the entire Group.

d) The listed country subholding companies of the Group have a special framework of strengthened autonomy that covers three areas:

In the regulatory area, the boards of directors of the listed country subholding companies are authorised to approve their own corporate governance and regulatory compliance policies, their own risk policies, and other internal codes and procedures that specify, further develop or make exceptions to the content of equivalent rules within the Corporate Governance System.

In the related party transactions area, the boards of directors of the listed country subholding companies have a committee within their Board of Directors made up exclusively of directors not linked to the Company, and which has the power to approve all transactions between the listed country subholding company and its subsidiaries with the other companies of the Group (in addition to the authorisations generally required in each case, given the nature of each transaction).

In the management area, the listed country subholding companies enjoy a system of strengthened autonomy with respect to the Company preventing the Company and other companies of the Group from giving instructions to
their management team or the management teams of the subsidiaries thereof that entail interference with the exercise of the powers that the Corporate Governance System vests therein.

The special framework of strengthened autonomy is further developed in the respective agreement signed by the Company with each listed country subholding company.

e) The head of business companies of the Group assume decentralised executive responsibilities, enjoy the independence necessary to carry out the day-to-day and effective management of each business, and are assigned responsibility for the day-to-day control thereof.

These head of business companies are organised through their respective boards of directors, which include independent directors where appropriate, and their own management decision-making bodies; they may also have their own audit committees, internal audit areas, and compliance units or divisions. The selection of directors of the country subholding companies avoids any type of implicit bias that could entail discrimination of any kind, and particularly discrimination that might hinder the selection of female directors.

In order to facilitate the orderly performance of the functions inherent in its capacity as the controlling company of the Group, the Company’s Board of Directors establishes a number of mechanisms that allow for the exchange of information required for the strategic coordination of the activities conducted by the various country subholding companies and head of business companies, without detracting from the decision-making autonomy of each of such companies or from the requirements imposed on their directors by law or those stemming from the Corporate Governance System, in the interest of all the companies making up the Group.

3. The Group’s Business Model and Use of the IBERDROLA Brand

The corporate and governance structure of the Group permits, in turn, the global integration of the businesses in accordance with the Group’s Business Model, which focuses on maximising the operational efficiency of the various business units and guarantees the dissemination, implementation, and monitoring of the overall strategy and of the basic management guidelines established for each business, primarily through the exchange of best practices among the various companies within the Group and without detracting from the decision-making autonomy of each of such companies.

The Corporate Governance System recognises the IBERDROLA brand as a hallmark of the Company’s identity and as the principal symbol of the mission, vision, and values of the Group. Generally, the companies of the Group use this brand—which is owned by the Company—as part of their trade names and distinctive marks used in carrying out their businesses. The use thereof is governed by the provisions of the Brand Policy and the other internal rules established by the Company.

4. Presence of the Group on the Internet and on Social Networks. Corporate Websites

The country subholding and head of business companies of the Group shall endeavour to have a presence on the internet and, in particular, to actively participate in social networks in order to maintain a relationship with their stakeholders.

For these purposes, the country subholding and head of business companies shall have their own identity on social networks and their own corporate website, the contents of which must be managed in accordance with the guidelines established for such purpose by the Company, and by the country subholding companies for each country, if applicable. The country subholding companies and head of business companies shall adopt the measures necessary to avoid the confusion of their corporate websites with that of the Company.

The corporate websites of the country subholding and head of business companies shall be structured around specific sections intended to identify the relevant company and its activities, describe its relationship to the Group and its position regarding corporate governance, sustainability, and the environment; and promote its relations with the most significant stakeholders and with society in general.

5. Duties of the Board of Directors in Connection with the Corporate Organisation

The Company’s Board of Directors has, in all cases, the following duties in connection with the corporate and governance structure of the Group:

a) To conform the corporate and governance structure and the Business Model of the Group to the requirements of the corporate interest at all times, always in compliance with applicable law and with the Corporate Governance System.
b) To adapt the structure of the Group to the legal requirements applicable in the jurisdictions in which it carries out its activities and, specifically, as regards the rules governing the separation of regulated activities in each jurisdiction.

c) To choose the location of the registered office of the Company and of the other companies of the Group that are not listed or owned through a listed country subholding company on the basis of the corporate interest and to adopt the respective decisions or, when required, to submit them to the shareholders at a General Shareholders’ Meeting for adoption.

d) To regulate, analyse, and decide upon possible conflicts of interest and related-party transactions among the companies of the Group.

As regards those affecting listed country subholding companies, the Company’s Board of Directors shall ensure compliance with the rules for related party transactions set forth in the relevant special framework of strengthened autonomy.

e) To ensure the reconciliation of the interest of the companies of the Group that have minority shareholders with the policies and strategies of the Group.

f) To implement appropriate strategic coordination mechanisms in the interest of the Company and of the companies that are part of the Group, in accordance with the Group’s Business Model.

g) To approve the creation or acquisition of equity interests in special purpose entities or entities registered in countries or territories that are considered to be tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, might diminish the transparency of the Group.

h) To submit to a decision by the shareholders at a General Shareholders’ Meeting the assignment to dependent entities of core activities theretofore carried out by the Company, even though the Company retains full control of such entities.

Moreover, as regards affiliated entities that are not part of the Group, the Board of Directors shall, upon defining the general strategy of the Group, respect the specific regulations applicable to such entities by reason of their nature as regulated or listed companies, or because of their nationality, the jurisdictions in which they carry out their activities, or any other circumstance that may affect them.

6. Operating Committee

Within the corporate and governance structure of the Group, the Operating Committee is an internal committee of the Company, providing technical, informational, and management support both with respect to the functions of definition, supervision, organisation, and monitoring of the general management guidelines and to the strategic planning of the business managed by the head of business companies, in accordance with the Group’s Business Model.

This Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation was initially approved by the Board of Directors on 18 December 2007, and was last amended on 15 December 2015.
Brand Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”), aware that the IBERDROLA brand constitutes one of its strategic assets, has approved this Brand Policy.

1. Purpose

This Brand Policy is intended to protect and contribute to the IBERDROLA brand and to establish certain basic principles of conduct allowing all of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), to use it as a springboard that contributes to its reputation and to the success of the businesses carried out by the Group.

2. The IBERDROLA Brand

The IBERDROLA Brand belongs to the Company and constitutes one of its strategic assets: it is a hallmark of its identity and the principal symbol of the mission, vision, and values of the Group.

As a hallmark of identity, the IBERDROLA brand is a key element in the corporate strategy of the Company. As the symbol of the mission, vision, and values of the Group, it is a springboard for creating value that should be used by all of the companies of the Group to contribute to the success of its businesses.

All of the companies of the Group must ensure that the IBERDROLA brand is associated with the mission, vision and values of the Group, and thus to the commitment to the creation of value, the quality of life, the safety of people and of supply, the protection of the environment, and customer focus.

3. Use of the Brand

The Company licenses the use of the IBERDROLA brand to all of the companies of the Group and to the entities in the nature of foundations belonging to the Foundations Committee of the Iberdrola Group, upon the terms set forth in the Brand Usage Code. All licensees shall be required to comply with the provisions of this Brand Policy and the corresponding brand licensing agreement implementing the terms and conditions for using the IBERDROLA brand.

The companies of the Group shall use the IBERDROLA brand in the same manner and according to the standards of the IBERDROLA Brand Usage Manual approved by the Corporate Brand and Reputation Division of the Company, as well as with the clauses of the relevant brand licensing agreement on quality control.

Any use of the IBERDROLA brand that differs from the provisions of the IBERDROLA Brand Usage Manual must be authorised in advance by the Corporate Brand and Reputation Division of the Company.

As a general principle, the IBERDROLA brand shall form part of the trade names and distinctive signs used by the Companies of the Group in carrying on their businesses.

Companies of the Group shall ensure that such use of the IBERDROLA brand does not cause confusion regarding their own identity and corporate independence.

For these purposes, except as otherwise authorised by the Company’s Corporate Brand and Reputation Division, all of the companies of the Group (other than the Company itself) must always use the IBERDROLA brand together with their own distinctive name.

By way of exception to the foregoing, the listed country subholding companies may use a different corporate name and brand that contributes to the differentiation thereof as autonomous entities belonging to the Group. In such instances, the relevant brand shall belong to the listed country subholding company. This exception does not extend to the head of business companies in which an interest is held by the listed country subholding companies, which shall use the IBERDROLA brand in their name and in carrying out their business activities in accordance with the provisions of this Brand Policy.
4. Ceasing Use of the Brand

The companies of the Group shall cease to use the IBERDROLA brand, including the use thereof in their own trade name or corporate name, in accordance with the provisions of the Brand Usage Code, and particularly in the event that such use might risk the reputation of the Group or when the company no longer belongs to the Group. In this latter event, when there are circumstances that so warrant, the Company may authorise companies that no longer belong to the Group to use the IBERDROLA brand on a temporary basis.

5. Protection of the Brand

The Group shall take the actions needed to protect and contribute to the value of the IBERDROLA brand, obtaining effective protection of the Company’s rights thereto throughout the world and in all areas in which the Group is or expects to be present, particularly including the internet and social networks. The companies of the Group may not directly or through third parties request and/or register trademarks, trade names, domain names, social profiles or any other distinctive mark that is identical or similar to the IBERDROLA brand without the authorisation of the Company’s Corporate Brand and Reputation Division.

This Brand Policy was initially approved by the Board of Directors on 22 June 2015, and was last amended on 15 December 2015.
7.

**Director Candidate Selection Policy**

The Board of Directors of IBERDROLA, S.A. (the “Company”) believes that one of the pillars of its corporate governance strategy is transparency in all its activities, including the process for selecting candidates for director. Therefore, the Board of Directors has approved this *Director Candidate Selection Policy*, which is a public, specific, and verifiable policy ensuring that the proposals for appointment of directors of the Company are based on a prior analysis of the needs of the Board of Directors.

1. **Scope of Application**

This *Director Candidate Selection Policy* shall be applicable to the selection of candidates for director of the Company who are individuals.

In the case of candidates for director of the Company that are legal entities, the provisions of this *Director Candidate Selection Policy* shall also apply to the individuals representing them.

Without prejudice to the foregoing, individuals shall be favoured as candidates for director.

2. **Aims in Selecting Candidates**

The selection of candidates for director shall start with an analysis of the needs of the Company and of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), and which must be carried out by the Board of Directors with the advice and report of the Appointments Committee.

It shall also target persons who satisfy the conditions set forth in section 4 below and whose appointment favours diversity of knowledge, experience, origin, nationality, and gender within the Board of Directors.

The *Director Candidate Selection Policy* shall endeavour to ensure that the number of female directors continues to account for at least thirty per cent of the total number of members of the Board of Directors by the year 2020.

3. **Selection Process. Sources for the Identification of Candidates**

Performing duties as a director of the companies of the Group, especially the country subholding companies and head of business companies, provides a deep understanding of the businesses and internal operations of the Group, which facilitates the rapid inclusion of the persons holding such positions into the dynamics of the operations of the Company’s Board of Directors.

In turn, it provides first-hand knowledge of their skills, work capacity, commitment to the position, and potential to provide value to the board to which they belong.

For all these reasons, the independent directors of the companies of the Group are one of the main sources to identify potential candidates as directors of the Company.

In addition, any director may suggest candidates for director provided that they meet the requirements established in this *Director Candidate Selection Policy*.

Finally, the Company may also rely on the cooperation of external advisers in the validation of candidates for director. In any event, the process of selecting candidates shall be free from any implied bias entailing any kind of discrimination, and, in particular, that hinders the selection of female directors.

4. **Conditions to Be Satisfied by the Candidates**

The candidates for director of the Company must be respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability, and commitment to their duties.
In particular, they must be irreproachable professionals, whose professional conduct and background is aligned with the principles set forth in the Directors’ Code of Ethics and with the corporate values contained in the Mission, Vision, and Values of the Iberdrola group.

In addition, the selection of candidates shall endeavour to ensure that a diverse and balanced composition of the Board of Directors as a whole is achieved, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters within its power. To this end, the selection process shall promote a search for candidates with knowledge and experience in the main countries and sectors in which the Group does or will do business.

5. Ineligibility as Candidate for Director

By way of guidance, the appropriateness shall be considered of candidates for director generally not exceeding the age of seventy years.

Those persons or entities that have incurred legal grounds for disqualification from the holding of their position, fail to meet any of the requirements to be a director established in the Corporate Governance System and, in particular, the following, shall be ineligible as candidates for director:

a) Domestic or foreign companies competing with the Company in the energy industry or other industries, or the directors or senior officers thereof, or such persons, if any, as are proposed by them in their capacity as shareholders.

For clarification purposes, the companies of the Group shall not be deemed competitors of the Company.

b) Individuals or legal entities serving as directors in more companies than are permitted under the provisions of the Regulations of the Board of Directors.

c) Persons who, during the two years prior to their appointment, have occupied high-level positions in Spanish government administrations that are incompatible with the simultaneous performance of the duties of a director of a listed company under Spanish national or autonomous community law, or positions of responsibility with entities regulating the energy industry, the securities markets, or other industries in which the Group operates.

In the case of candidates who have held high-level positions in the governments of other jurisdictions that are incompatible with the simultaneous performance of the duties of a director of a listed company, the Appointments Committee must take appropriate action to verify that the holding of such positions does not entail an impediment to the potential appointment of the candidate as a director.

d) Individuals or legal entities that are under any other circumstance of disqualification or prohibition governed by provisions of a general nature, including those that have interests in any way opposed to those of the Company or the Group.

This Director Candidate Selection Policy was initially approved by the Board of Directors on 25 March 2015 and was last amended on 6 April 2016.
Director Remuneration Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) approves this Director Remuneration Policy in exercise of the powers granted thereto. The Company desires to continue to focus on the ongoing improvement and full alignment of the Director Remuneration Policy with the good governance recommendations generally recognised in international markets in the area of director remuneration, adjusting them to the specific needs and circumstances of the Company and of the group of which the Company is the controlling entity, within the meaning established by law (the “Group”).

1. Purpose and Basic Principles

The Director Remuneration Policy seeks to ensure adequate remuneration in recognition of their dedication and the responsibility assumed, and in accordance with the remuneration paid on the market at comparable domestic and international companies, taking into account the long-term interest of all of the shareholders. In particular, as far as executive directors are concerned, the guiding principle is to offer remuneration systems that make it possible to attract, retain, and motivate the most outstanding professionals in order to enable the Company and the Group to attain their strategic objectives within the increasingly competitive and internationalised context in which they operate. Accordingly, in connection with executive directors, the Director Remuneration Policy seeks to:

a) Ensure that the remuneration, in terms of structure and total amount, is in line with best practices, as well as competitive vis-à-vis that of comparable entities at the domestic and international level, taking into account the situation of the regions in which the Group operates.

b) Establish the remuneration, in accordance with objective standards, based on individual performance and on the achievement of the business objectives of the Company and the Group.

c) Include a significant annual variable component tied to performance and to the achievement of specific, pre-established, quantifiable objectives in line with the corporate interest and strategic goals of the Company. The foregoing should be understood to be without prejudice to the possibility of considering other objectives, especially in the area of corporate governance and corporate social responsibility.

d) Foster and encourage the attainment of the strategic goals of the Company through the inclusion of long-term incentives, strengthening continuity in the competitive development of the Group, of its directors, and of its management team, and generating a motivating effect that acts as a driving force to ensure the loyalty and retention of the best professionals.

e) Set appropriate maximum limits to any short-term or long-term variable remuneration, and establish suitable mechanisms to reconsider the implementation and payment of any deferred variable remuneration when a reformulation occurs that has a negative effect on the Company’s consolidated annual accounts, including the potential total or partial cancellation of the payment of deferred variable remuneration if there is a reformulation of the annual accounts or a correction of non-financial dimensions or parameters upon which such remuneration was based. Without prejudice to all of the foregoing, the Director Remuneration Policy shall be suitably adjusted to the prevailing economic situation and to the international context.

The Annual Director Remuneration Report is made available to the shareholders upon the call to the Annual General Shareholders’ Meeting, and will be submitted to a consultative vote thereat, as a separate item on the agenda.
2. Competent Bodies
The Board of Directors, at the proposal of the Appointments and Remuneration Committee, is the body with authority to determine the remuneration of directors within the overall limit established in the By-Laws and in accordance with the provisions of law, except for remuneration consisting of the delivery of shares of the Company or of options thereon, or remuneration indexed to the value of the shares of the Company, which must be approved by the shareholders acting at a General Shareholders’ Meeting.

3. Limit on Remuneration
Pursuant to article 52.1 of the By-Laws, the limit on the amounts that the Company allocates annually as an expense to director remuneration, including the remuneration of the executive directors for the performance of executive duties, as well as to the funding of the fund created to honour the obligations incurred by the Company with respect to pensions, the payment of life insurance premiums, and the payment of severance to current and former directors, is two per cent of consolidated group profits obtained during the financial year, after covering legal and other mandatory reserves and the issuance to the shareholders of a dividend of at least four per cent of the share capital.

For the purpose of establishing such limit, the value of shares or options thereon or remuneration indexed to the listing price of the shares shall not be calculated, which remuneration shall in all cases require the approval of the shareholders at a General Shareholders’ Meeting.

4. Structure of Director Remuneration for the Directors’ Activity as Such
The remuneration to which directors are entitled for serving as such is structured in accordance with the following standards within the framework of legal and by-law provisions:

a) Fixed Amount
Directors receive a fixed annual amount that is commensurate with market standards, in keeping with the positions they hold on the Board of Directors and in the committees on which they sit, always taking into account the limit on director remuneration set forth in section 3 above.

b) Attendance Fees
Directors are entitled to payment of certain amounts as attendance fees, whether for attendance at meetings of the Board of Directors or at meetings of the committees on which they sit.

c) Coverage of Risk Benefits
The Company pays the premiums under insurance policies that it has taken with certain insurance companies for the coverage of the death or disability of directors caused by accidents, and the Company itself assumes coverage of benefits for the death or disability of directors due to natural causes. Furthermore, the Company pays the premiums under insurance policies providing coverage against civil liability deriving from holding the office of director.

d) Severance Compensation
In the event that an external non-proprietary director withdraws from office prior to the expiration of the term to which such director was appointed, and provided that such withdrawal from office is not the consequence of a breach attributable thereto or exclusively due to the director’s own decision to withdraw, the Company shall make a severance payment to such director, subject to the director’s obligation during the remainder of the director’s term in office (with a maximum of two years) not to hold office in management decision-making bodies of companies within the energy industry or of other competitor companies and not to participate, in any other manner, in the management thereof or in the provision of advice thereto.

The amount of the compensation shall be equal to 90% of the fixed amount that the director would have received for the remainder of the director’s term (considering that the annual fixed amount that the director receives at the time of withdrawal is maintained), with a maximum equal to two times 90% of such annual fixed amount.

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1 On 25 March 2015, the Board of Directors resolved to split the Appointments and Remuneration Committee, vesting the power to set director remuneration within the Remuneration Committee.
2 After the bylaw amendment approved by the shareholders at the Company’s General Shareholders’ Meeting of 27 March 2015, this reference should be understood as being made to article 48.1 of the By-Laws.
5. Structure of Remuneration of Executive Directors for the Performance of Executive Duties

The remuneration that executive directors are entitled to receive for the performance of executive duties at the Company (i.e. other than the duties inherent in their status as members of the Board of Directors) is structured as follows:

a) Fixed Remuneration

This portion of the remuneration shall be in line with the remuneration paid in the market by companies with comparable capitalisation, size, ownership structure, and international scope.

Under ordinary circumstances, it should not represent a percentage greater than 50% of the theoretical maximum annual remuneration to be received.

b) Variable Remuneration

(i) Short-term Variable Remuneration:

A portion of the remuneration of executive directors is variable, in order to strengthen their commitment to the Company and to promote a better performance of their duties.

This variable remuneration shall be tied, for the most part, to the achievement of specific and pre-established objectives that are quantifiable and aligned with the corporate interest and with the strategic goals of the Company.

Weight will also be given to goals in the area of corporate governance and corporate social responsibility, as well as the individual performance of the executive directors. The Appointments and Remuneration Committee will assess the achievement of objectives as well as performance. The committee may seek the advice of independent professionals. The proposal thereof shall be submitted to the Board of Directors for approval.

(ii) Medium-term and Long-term Variable Remuneration:

The Company also contemplates the implementation of incentive systems tied for the most part to the Company’s performance with respect to certain specific and pre-established economic/financial, industrial, and operational goals that are quantifiable and aligned with the strategic objectives pursued by the Company and the Group, in order to promote the retention and motivation of the executive directors and the creation of long-term value.

Weight will also be given to goals in the area of corporate governance and corporate social responsibility, as well as the individual performance of the executive directors. The Appointments and Remuneration Committee will evaluate performance and determine compliance with pre-established parameters. The committee may seek the advice of independent professionals. The proposal thereof shall be submitted to the Board of Directors for approval.

These systems may include the delivery of Company shares or options thereon or remuneration rights linked to the value thereof, when so resolved by the shareholders acting at a General Shareholders’ Meeting at the proposal of the Board of Directors, after a report from the Appointments and Remuneration Committee.

The timeframe to be used for guidance purposes in medium- and long-term remuneration programmes shall be three years, and in the case of systems linked to shares of the Company, they shall be submitted to the shareholders at a General Shareholders’ Meeting for approval as provided by law. Appropriate minimum holding periods may be established in respect of a portion of the shares received. If there is a reformulation of the annual accounts or a correction of non-financial dimensions or parameters upon which such remuneration was based, the Board of Directors shall evaluate whether it is appropriate to totally or partially cancel payment of the deferred variable remuneration.

(iii) Neutrality:

Variable remuneration of any kind may not be based merely on the general performance of the markets, of the industry in which the Company operates, or on other similar circumstances.

c) Benefits

The remuneration system for executive directors is supplemented by appropriate life insurance and social security benefits, in line with practice in the market by companies with comparable capitalisation, size, ownership structure and international scope.

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3 See footnote 1 above.
4 See footnote 1 above.
d) Severance Clauses
Since the end of the 1990s, the executive directors, as well as a group of senior officers, have the right to receive severance compensation in the event of termination of their relationship with the Company, provided that such termination is not the consequence of a breach attributable thereto or to the sole decision thereof. In the case of the chairman & chief executive officer, he is currently entitled to three times annual salary. Since 2011, a severance limit of two times annual salary applies to new contracts with executive directors.

6. Basic Terms of the Contracts of Executive Directors
The Board of Directors establishes the remuneration payable to executive directors for the performance of their executive duties and the other basic terms that must be set forth in in their contracts. Such terms are the following.

a) Indefinite Duration
The contracts with executive directors of the Company are of indefinite duration, and financial compensation is contemplated therein in the event of termination of the contractual relationship with the Company, provided that such termination does not occur exclusively due to the decision of the executive directors to withdraw or as a result of a breach of their duties.

b) Applicable Legal Provisions
The contracts with executive directors are governed by the legal provisions applicable in each case.

c) Compliance with the Company’s Corporate Governance System
Executive directors have the duty to strictly observe the rules and provisions contained in the Company’s Corporate Governance System, to the extent applicable thereto.

d) Non-competition
The contracts with executive directors in all cases establish a duty not to compete with respect to companies and activities that are similar in nature during the term of their relationship with the Company and for a two-year period of time thereafter. As consideration for such commitments, the executive directors are entitled severance equal to the remuneration for such period.

e) Confidentiality and Return of Documents
There is a rigorous duty of confidentiality both during the term of the contracts and after the relationship has terminated. In addition, upon termination of their relationship with the Company, the executive directors must return to the Company any documents and items in their possession relating to the activities carried out thereby.

7. Principle of Full Transparency
The Board of Directors of the Company assumes the commitment to enforce the principle of the fullest transparency of all the items of remuneration received by all directors, providing clear and adequate information as much in advance as required and in line with the good governance recommendations generally recognised in international markets in the area of director remuneration.

For such purpose, the Board of Directors establishes this Director Remuneration Policy and ensures the transparency of director remuneration by including in the Company’s report a detailed breakdown, according to positions and status, of all remuneration received by the directors, whether as such, in their capacity as executives, if applicable, or in any other capacity, and whether such remuneration has been paid by the Company or by other companies of the Group.

In addition, the Board of Directors prepares the Annual Director Remuneration Report on an annual basis, which is made available to the shareholders upon the call to the Annual General Shareholders’ Meeting and is submitted to a consultative vote, as a separate item on the agenda.

This Director Remuneration Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 17 February 2015, and was approved at the Company’s General Shareholders’ Meeting held on 27 March 2015 pursuant to the transitory provision of Law 31/2014, of 3 December, modifying the Companies Act to improve corporate governance.
Senior Officer Remuneration Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) approves this Senior Officer Remuneration Policy in exercise of the powers granted thereto. The Company desires to continue to focus on the ongoing improvement and full alignment of the Senior Officer Remuneration Policy with the good governance recommendations generally recognised in international markets in the area of senior officer remuneration, adjusting them to the specific needs and circumstances of the Company and of the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”).

1. Scope

For purposes of the Company’s Corporate Governance System, senior officers are deemed to be those officers who report directly to the Board of Directors, to the chairman thereof or to the chief executive officer of the Company and, in all cases, the director of the Internal Audit Area, as well as any other officer that the Board of Directors deems to be a senior officer.

2. Purpose and Basic Principles

The purpose of the Senior Officer Remuneration Policy is to offer remuneration systems that make it possible to attract, retain, and motivate the most qualified professionals, in order to enable the Company and the Group to attain their strategic objectives within the increasingly competitive and internationalised context in which they operate.

In accordance with this purpose, the Senior Officer Remuneration Policy seeks to:

a) Ensure that the remuneration, in terms of structure and total amount, is in line with best practices, as well as competitive vis-à-vis that of comparable entities at the domestic and international level. It has been established by taking into account the differences existing in the area of senior officer remuneration in the various regions in which the Group operates.

b) Establish the remuneration, in accordance with objective standards, based on the individual performance of the senior officers and on the achievement of the corporate objectives of the Company and the Group.

c) Include a significant annual variable component tied to the achievement of specific, pre-established, quantifiable objectives in line with the corporate interest and strategic goals of the Company. The foregoing should be understood to be without prejudice to the possibility of considering other objectives, especially in the area of corporate social responsibility.

d) Foster and encourage the attainment of the strategic goals of the Company through the inclusion of long-term incentives, strengthening continuity in the competitive development of the Group and of its management team, and generating a motivating effect that acts as a driving force to ensure the loyalty and retention of the best professionals.

e) Set appropriate maximum limits to any short-term or long-term variable remuneration, and establish suitable mechanisms to reconsider the implementation and payment of any deferred variable remuneration when a reformulation occurs that has a negative effect on the Company’s consolidated annual accounts, including the potential total or partial cancelation of payment of deferred variable remuneration in the event of a correction of the annual accounts on which such remuneration was based.

Without prejudice to all of the foregoing, the Senior Officer Remuneration Policy shall be suitably adjusted to the prevailing economic situation and the international context.
3. Competent Bodies

The Board of Directors is the body with authority to approve the Senior Officer Remuneration Policy as well as the basic terms of the contracts with senior officers, based for such purpose on a proposal that the chairman of the Board of Directors or the chief executive officer makes to the Remuneration Committee for the issuance of a report thereon and the submission thereof to the Board of Directors.

Pursuant to the provisions of the Company’s Corporate Governance System, the establishment of senior officer remuneration systems consisting of the delivery of shares of the Company or of rights thereon, or of remuneration indexed to the value of shares, requires the approval of the shareholders acting at a General Shareholders’ Meeting.

4. Structure of Senior Officer Remuneration

As in the case of the chairman of the Board of Directors & chief executive officer, the remuneration package for senior officers primarily consists of:

a) Fixed remuneration, adjustable on an annual basis.

b) Variable remuneration, consisting of an annual variable component (short term) and another tied to the Company’s performance with respect to certain specific, pre-established, and quantifiable economic/financial, industrial, and operational parameters in line with the strategic (long term) goals of the Company and of the Group. The parameters shall refer mainly to economic/financial, industrial, and operational aspects and shall be specific, pre-established, quantifiable parameters in line with the corporate interest and with the strategic goals of the Company, as well as with the creation of shareholder value over the long term and in a sustained fashion, taking into account the senior officer’s area of activity and individual performance.

The timeframe to be used for guidance purposes in medium- and long-term remuneration programmes shall be three years, and in the case of systems linked to shares of the Company, excessive dilution shall be avoided and the amount of remuneration shall be calculated at market prices. Appropriate minimum holding periods may be established in respect of a portion of the shares received. If there is a correction in the annual accounts upon which such remuneration was based, the Board of Directors shall evaluate whether it is appropriate to totally or partially cancel payment of the deferred variable remuneration.

It is also ensured that the accrual of variable remuneration of any kind is not based merely on the general performance of the markets, of the industry in which the Company operates, or on other similar circumstances.

c) A set of benefits, including insurance and social security systems as well as in-kind remuneration.

5. Basic Terms of the Contracts

Such terms are the following:

a) Indefinite Duration

The contracts with the Company’s senior officers are of indefinite duration, and financial compensation is contemplated therein in the event of termination of the contractual relationship with the Company, provided that such termination does not occur exclusively due to the senior officer’s decision to withdraw or as a result of a breach of the senior officer’s duties.

The amount of the severance payment is established in accordance with length of service and the reasons for the senior officer’s withdrawal from office, up to a maximum of five times annual salary. A limit of two times annual salary shall apply to new contracts with senior officers signed as from 2011.

b) Applicable Legal Provisions

The contracts with the Company’s senior officers are governed by the legal provisions applicable to senior officer special employment relationship agreements or by such special terms and conditions of the common employment system (régimen laboral común) as are determined by the Company or as legally apply from time to time.

c) Compliance with the Company’s Corporate Governance System

All of the Company’s senior officers have the duty to strictly observe the rules and provisions contained in the Company’s Corporate Governance System to the extent applicable thereto.

d) Non-competition

The contracts with senior officers in all cases establish a duty not to compete with respect to companies and activities that are similar in nature to those of the Company and the Group, during the term of their relationship with the Company and for a period of not less than one year following termination thereof, and also provide for payment,
for each year of duration of such agreement not to compete, of an amount equal to 50% of the fixed remuneration received during the last full financial year.

e) Confidentiality and Return of Documents
A rigorous duty of confidentiality is established, which must be assumed by the senior officer and complied with both during the term of the contract and once the relationship has terminated, with the Company reserving the right to bring such legal actions as may be appropriate to defend its interests. In addition, the senior officer must return to the Company any documents and items relating to the senior officer’s activity that are in the senior officer’s possession upon termination of the relationship with the Company, in accordance with such terms and conditions as are set forth by the Company.

This Senior Officer Remuneration Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 25 March 2015.
Auditor Contracting and Relations Policy

The Audit and Risk Supervision Committee of IBERDROLA, S.A. (“Iberdrola” or the “Company”) approves this Auditor Contracting and Relations Policy (the “Policy”), the purpose of which is to ensure that the position of auditor of the Company is held by an independent firm that has the technical qualifications required to perform its work in an efficient and responsible manner and in accordance with applicable legal provisions.

This Policy governs the selection, appointment, re-election, and, if applicable, removal of the auditor of the individual accounts of the Company and of the accounts of the Company consolidated with those of the companies making up the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), as well as the framework for relations with such auditor.

This Policy also sets forth the principles that must govern the selection, appointment, re-election, and, if applicable, removal of the auditors of the other companies within the Group, as well as the framework of relations between such companies and their auditors.

1. Appointment, Re-election, and Removal

The appointment, re-election, and removal of the auditor that is to verify the individual annual accounts of the Company as well as the accounts of the Company consolidated with those of the companies belonging to the Group is within the purview of the shareholders acting at the General Shareholders’ Meeting.

The Board of Directors shall submit to the shareholders at the General Shareholders’ Meeting the proposal for appointment, re-election, or removal of such auditor pursuant to the provisions of this Policy and applicable legal provisions.

2. Procedure for Selection, Contracting, and Proposal for Appointment

The Audit and Risk Supervision Committee shall establish the minimum requirements to be satisfied by entities applying to act as auditors of the Company, as well as the most appropriate selection and contracting procedure, which must be impartial, transparent, efficient, and non-discriminatory, and contemplate the holding of a tender among the various candidate entities to ensure compliance with the foregoing requirements.

For such purposes, the Audit and Risk Supervision Committee shall approve a set of bid terms and conditions for all candidates invited to participate in the procedure, whereby they may become familiar with the activities of the Company and the characteristics and scope of the required services, including any services other than auditing. The bid terms shall also contain a tentative schedule for the process.

To protect the integrity of the selection process and the confidential information that the Company makes available to the candidates, a corresponding confidentiality agreement shall be signed with each of them.

The bid terms and conditions shall include transparent and non-discriminatory selection criteria, which the Company shall apply objectively in evaluating the bids submitted. These criteria must ensure the independence of the auditor, the sufficiency and suitability of its experience, solvency and operational capacity, and strict compliance with any other requirement or demand of any applicable legal provisions that may be established at any time. The Audit and Risk Supervision Committee shall establish a weighting for each of the selection standards set out in the bid terms and conditions, which shall not form a part thereof.

The Audit and Risk Supervision Committee may rely on the collaboration of any division or area of Iberdrola or the companies of the group. In this regard, the division or area specified by the Audit and Risk Supervision Committee in the bid terms and conditions shall make conclusions regarding the selection process in a report to be ratified by the committee.
The candidates shall submit their bids to the Audit and Risk Supervision Committee at one or more meetings called for this purpose, at which the committee may ask the candidates questions and request the clarifications it deems are appropriate.

During the selection process, the Audit and Risk Supervision Committee shall ensure, among other things, strict compliance with the regulations applicable to the selection and contracting of auditors, and particularly the equal treatment of the candidates.

The Audit and Risk Supervision Committee may provide in the bid terms and conditions for the possibility of not giving an award or abandoning the tender.

Communications with the candidates shall in any event be led by the Audit and Risk Supervision Committee. The candidates must refrain from requesting additional information through channels other than those established by the Audit and Risk Supervision Committee for such purpose in the bid terms and conditions. Furthermore, no company of the Group shall respond to any question or request for information that is not channelled through the Audit and Risk Supervision Committee.

The Audit and Risk Supervision Committee shall not submit a proposal to the Board of Directors, and the Board of Directors shall not submit a proposal to the shareholders at the General Shareholders’ Meeting, for appointment of an audit firm as the Company’s auditor if it has evidence that such firm is affected by any circumstance of lack of independence, prohibition, or disqualification pursuant to the legal provisions governing the audit of accounts. In particular, if the fees accrued from the provision of audit services and services other than audit that the Company and any other entity of the Group expect to pay the auditor or audit firm or a member of its network during each of the last three consecutive financial years represent more than fifteen per cent of the total annual income of the auditor or audit firm and of said network.

In addition, the total fees received for services other than audit may not exceed sixty per cent of the average of the fees paid during the last three financial years for audit work provided to the Company and to the other entities of the Group.

The tender may include the selection of the auditor of other companies of the Group provided that applicable legal provisions in each case do not prevent the selection thereof.

Once the bids submitted have been evaluated in accordance with the criteria set forth in the bid terms and conditions, the Audit and Risk Supervision Committee, based on the report, if any, submitted by the relevant division or area, shall submit to the Board of Directors a report recommending two candidates to serve as auditor of the individual accounts of the Company and the accounts of the company consolidated with those of its subsidiaries, indicating its preference for one of them and providing sufficient grounds therefor.

In indicating its preference for one of the candidates in its report, the Audit and Risk Supervision Committee shall state that its recommendation is free from any third-party influence and that no contractual provision has been imposed upon it whereby the election is restricted to certain categories or lists of auditors, pursuant to the terms of applicable legal provisions.

In view of the report, the Board of Directors shall propose to the shareholders at the General Shareholders’ Meeting the appointment of one of the two candidates selected by the Audit and Risk Supervision Committee, with the reasons for the proposal if it differs from the preference of this committee.

3. Proposal for Re-election

Before the end of the financial year in which the appointment of the Company’s auditor is to expire, the Audit and Risk Supervision Committee shall consider its possible re-election or, if appropriate, the commencement of the procedure for selecting and contracting a new auditor, pursuant to the provisions of the preceding section.

To such end, the Audit and Risk Supervision Committee shall take into account the result of the annual evaluation of the independence and quality of the work performed by the Company’s auditor, as well as any time and quantitative limits established by applicable legal provisions.

In view of the foregoing, upon a proposal of the Audit and Risk Supervision Committee, the Board of Directors shall submit the proposal for re-election of the Company’s auditor to the shareholders at the General Shareholders’ Meeting. If the proposed re-election is approved, the shareholders shall authorise the Board of Directors, with the express power of substitution, to enter into the corresponding services agreement.
4. Proposal for Removal

The Board of Directors may only propose the removal of the auditor to the shareholders at the General Shareholders’ Meeting if so allowed by legal provisions, after a report from the Audit and Risk Supervision Committee.

5. Relationship with the Auditor

The Board of Directors shall maintain an objective, professional, and ongoing relationship with the Company’s auditor, and shall at all times respect the independence thereof. Such relationship shall normally be channelled through the Audit and Risk Supervision Committee.

The Board of Directors shall meet with the auditor at least once per year in order to receive information regarding the work performed and regarding the accounting status and risks of the Company.

The Audit and Risk Supervision Committee shall perform, on an annual basis, a formal evaluation of the quality of the work carried out by the auditor during the financial year and of the level of coordination among the different firms performing audit work at entities within the Group, if there is more than one such firm. To this end, it shall regularly receive information regarding the audit plan and the implementation thereof.

For its part, the auditor shall submit to the Audit and Risk Supervision Committee an annual report with its recommendations as a product of its work.

The auditor may carry out limited audits or reviews of the interim accounts that are published with a frequency of less than one year pursuant to applicable legal provisions.

6. Independence

The Company’s Corporate Governance System ensures the establishment of the required relations between the Audit and Risk Supervision Committee and the auditor so that it receives this specific information regarding matters that might entail threats to the independence thereof.

The Audit and Risk Supervision Committee shall endeavour to ensure that the auditor of the Company is independent and that this is made clear in the relations between them. To this end, it must authorise, prior to formalisation thereof, any contract it intends to sign with the auditor or with any member of its network for the provision of services other than auditing to the Company or any of the companies of its Group, in order to be able to individually and globally analyse the threats to independence that might arise from said contracts. The Audit and Risk Supervision Committee shall continuously communicate and coordinate with the audit and compliance committees of the other companies of the Group for this purpose.

The Company’s Audit and Risk Supervision Committee shall also be immediately informed of any contracting of audit or non-audit services from firms performing audits of the Group, with a level of detail sufficient to allow it to perform a global and effective analysis of the effect that the contracting of these services may have on independence from an individual and collective viewpoint.

The Audit and Risk Supervision Committee shall receive from the Company’s auditor, on an annual basis, written confirmation of its independence in respect of the Company or entities directly or indirectly related thereto, as well as a detailed breakdown of information regarding additional services (other than auditing) of any kind provided to such entities by said auditor or by persons or entities related thereto, pursuant to the legislation governing the audit of accounts.

The Audit and Risk Supervision Committee shall issue, on an annual basis and prior to the issuance of the audit report, a report setting forth an opinion on the independence of the auditor. This report must contain an assessment of the possible impact on the independence of the auditor of each and every one of the additional services other than the legal audit referred to in the preceding paragraph, considered individually and as a whole.

Furthermore, the Audit and Risk Supervision Committee shall monitor the internal procedures for assuring quality and safeguarding independence implemented by the Company’s auditor.

The audit firms carrying out audits of accounts at companies of the Group shall on an annual basis provide to the Audit and Risk Supervision Committee, through the audit committees or the bodies at each company assuming the powers thereof, information regarding the profiles and the track record of the persons making up the audit teams working for the Company and the Group, with specific mention of the changes in the composition of such teams compared to the immediately preceding financial year.
If the proposed appointment is approved, the shareholders shall authorise the Board of Directors, with the express power of substitution, to enter into the corresponding services agreement.

In addition, the Audit and Risk Supervision Committee shall receive information on professionals joining any of the companies within the Group who were formerly employed by any of the Group’s audit firms.

7. Transparency

The Board of Directors shall make public the fees paid by the Company to the various audit firms working for the Group, both in consideration for the audit of accounts and for services other than the audit of accounts, specifying the fees paid to the auditor and those paid to any company of the network to which the auditor belongs or to any other company to which the auditor is related under a relationship of joint ownership, management, or control.

The activities report of the Audit and Risk Supervision Committee, which shall be submitted to the Board of Directors for approval and shall subsequently be made available to shareholders and investors, shall contain information regarding the significant aspects of the auditor’s activity during the financial year.

Any information regarding the audit of accounts required in the Annual Corporate Governance Report shall first be reviewed by the Audit and Risk Supervision Committee.

8. Auditors of the Other Companies of the Group

Companies legally considered to be public utilities within the European Union shall carry out their own procedures for the selection, appointment, re-election, and removal of auditors, which shall be conducted independently and shall be governed by the same rules and principles as those contained in this Policy, provided that they are not incompatible with specific legal provisions that may apply in each case. Those companies in other countries whose respective applicable legal provisions so require shall also do so.

Their respective tenders for the selection of an auditor may include the award of audit work at their subsidiaries when so permitted by applicable legal provisions.

In any event, the relations between the other companies within the Group and their respective auditors shall be governed by the principles of independence and transparency set forth above, also taking into account any specific regulations applicable thereto in each case.

This Auditor Contracting and Relations Policy was initially approved by the Audit and Risk Supervision Committee on 23 November 2005 and was last amended on 22 February 2016.
Crime Prevention and Anti-Fraud Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) has been entrusted with the responsibility of formulating the strategy and approving the Corporate Policies of the Company, as well as of organising the internal control systems. In the discharge of these responsibilities as well as its social responsibility, and in coherence with the values of the Company and its culture of prevention of irregularities, the Board issues this Crime Prevention and Anti-Fraud Policy.

1. Purpose

The Crime Prevention and Anti-Fraud Policy is intended to convey to all officers and employees of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), as well as to third parties establishing relations therewith, an unambiguous message of opposition to the commission of any wrongful acts, whether in the nature of criminal offences or otherwise, and the desire of the Group to combat them and to guard against any possible erosion of its image and its reputational value and, ultimately, of the price of its shares and the value of the Company’s brand. This Crime Prevention and Anti-Fraud Policy is a commitment to unwavering vigilance and punishment of fraudulent acts and conduct, to maintain effective mechanisms for communication and awareness-raising among employees, and to develop a corporate culture of ethics and honesty.

To further develop this Crime Prevention and Anti-Fraud Policy, the Company, through the Compliance Unit and other competent bodies, has implemented a specific and efficient programme to prevent the commission of crimes (as a set of measures designed to prevent, detect, and react to possible crimes), which shall also cover the prevention and control of other fraud, administrative violations, and serious irregularities, all within the framework of the process of revision and adjustment to the new duties imposed by the Spanish Criminal Code after inclusion of criminal liability for legal entities, without prejudice to the laws and regulations applicable in any other jurisdiction in which the Company carries out its activities. Furthermore, the other companies of the Group have implemented similar programmes to prevent the commission of crimes.

The purpose of such programmes is, on the one hand, to assure third parties and judicial and administrative authorities that the companies of the Group effectively comply with the duties of supervision, monitoring and control of their activities by establishing appropriate measures to prevent crimes or to significantly reduce the risk of the commission thereof, and therefore exercise over their directors, officers, employees, and other subordinates, based on its governance model, such proper control as is legally required thereof, including the monitoring of possible situations of crime risk that may arise within the their scope of action, even in those cases in which the attribution of such situations to a specific person is not possible; an additional objective is to strengthen the existing commitment to work against all forms of fraud and corruption, including extortion and bribery of public officials or other persons.

The programmes include action and supervision protocols designed to reduce the risk of commission of criminal wrongs and irregularities in general (conduct that is illegal or contrary to the Code of Ethics or the Corporate Governance System), supplemented by effective and permanent control systems that may be updated as required.

2. Scope

This Crime Prevention and Anti-Fraud Policy shall apply to all officers and employees of the Company and of the other companies belonging to the Group.
The Group has a governance model in which decentralised executive responsibilities are assumed by the head of business companies of the Group, which enjoy the independence necessary to carry out the day-to-day administration and effective management of each of the businesses and are assigned the responsibility for the day-to-day control thereof through their respective boards of directors and management decision-making bodies, which, with the supervision of the Compliance Unit and other competent bodies, ensure the implementation and the monitoring of the action principles set forth in this Crime Prevention and Anti-Fraud Policy, without prejudice to appropriate coordination at all levels within the Group. This model is complemented with the existence of country subholding companies in those countries in which the Company’s Board of Directors has so decided and a country subholding company that groups together certain equity interests in other entities, including the non-energy head of business companies, with a presence 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 their respective countries and with respect to the businesses grouped within each of them, taking into account the characteristics and unique aspects of such countries.

The listed country subholding companies may approve their own crime prevention and anti-fraud policy applicable to said company and its subsidiaries to comply with the requirements applicable thereto due to its status as a listed company. The policy must in any case be in accord with the principles set forth this Crime Prevention and Anti-Fraud Policy.

Furthermore, all persons acting as representatives of the Group at companies and entities not belonging thereto shall comply with the provisions of this Crime Prevention and Anti-Fraud Policy and shall promote, to the extent possible, the enforcement of its principles at the companies and entities at which they represent the Group. Officers and employees of the Group who are also subject to other rules or policies, whether applicable to a particular industry or deriving from the national laws of the countries in which they carry out their activities, shall also be bound hereby. Appropriate coordination shall be established in order to ensure that such rules or policies are consistent with the principles set out in this Crime Prevention and Anti-Fraud Policy.

3. Action Principles

The principles governing the Crime Prevention and Anti-Fraud Policy are the following:

a) Integrate and coordinate a set of actions required to prevent and combat both the possible commission of wrongful acts by any professional within the Group and, in general, possible situations of irregularity or fraud, as a basic pillar of the Crime Prevention and Anti-Fraud Policy, in line with the General Risk Control and Management Policy and the General Corporate Social Responsibility Policy.

b) Create a transparent environment, integrating the various systems developed to prevent crimes and correct fraud and maintaining appropriate internal channels to favour the communication of possible irregularities, including the use of the channel of communication with the Audit and Risk Supervision Committee to report financial or accounting irregularities, and the Ethics Mailboxes, which allow professionals of the Group and shareholders of the Company to communicate conduct that may entail a breach of the Company's Corporate Governance System or the commission by a professional of the Group of an act contrary to the law or to the rules of the Code of Ethics.

c) Act at all times in compliance with applicable law and within the framework established by the Code of Ethics, as well as pursuant to the internal rules and regulations of the Company.

d) Foster a preventive culture based on the principle of “zero tolerance” in respect of the commission of wrongful acts and in fraud matters and on the application of principles of ethical and responsible behaviour by all professionals of the Group, irrespective of their level and the country where they work.

e) Within the drive for this culture of prevention, foster processes of self-control in the activities and decision-making of employees and officers, such that any action of a Group professional is based on four basic premises: (i) that the action is ethically acceptable, (ii) that it is legally valid, (iii) that it is desirable for the Company and the Group, as well as (iv) that the professional is prepared to assume responsibility therefor.

f) Ensure that the Compliance Unit has the physical and human resources required to efficiently and proactively monitor the operation and observance of this Crime Prevention and Anti-Fraud Policy, without prejudice to the
responsibilities assigned to other decision-making bodies and divisions of the Company and, if appropriate, the administrative and management bodies of the country subholding companies and head of business companies of the Group.

j) Develop and implement appropriate procedures for the control and comprehensive management of crime and fraud prevention at all companies of the Group.

h) Keep the focus on proactive activities, such as prevention and detection, rather than on reactive activities, such as investigation and punishment.

i) Investigate any claim of an allegedly criminal act or of any fraudulent or irregular act, regardless of the amount thereof and as soon as practicable, guaranteeing confidentiality in respect of the reporting party and the rights of the persons investigated. In addition, the companies of the Group shall provide all assistance and cooperation that may be requested by judicial and administrative bodies and domestic or international institutions and entities to investigate allegedly criminal, fraudulent, or otherwise irregular acts that have been committed by their professionals.

j) Seek a fair, non-discriminatory, and proportional application of penalties as provided by applicable law from time to time.

k) Notify all professionals of the Group of their duty to report any act amounting to a possible criminal offence or which might constitute fraud or irregularity of which they have evidence, through the channels established in this regard, and specifically regarding any sign or suspicion that a planned transaction or operation might be connected with money laundering or the financing of any unlawful activity.

l) Implement appropriate training programmes, both in person and online or by any other appropriate method, for professionals of the Group regarding the duties imposed by applicable law, with a frequency sufficient to ensure that the knowledge of their professionals in this regard is kept up to date. In particular, the professionals of the Group shall receive training regarding the Code of Ethics, with emphasis on matters of corruption and liability, as well as regarding those legal and regulatory obligations that are specifically applicable to their duties.

m) Impose disciplinary penalties in accordance with the provisions of law applicable at any time for conduct that contributes to preventing or impeding the discovery of crimes as well as the breach of any specific duty to inform the control bodies of violations that may have been detected.

4. Control, Evaluation, and Revision

a) Control

The Compliance Unit shall be responsible for controlling the implementation, development, and fulfillment of the Crime Prevention Programme of the Company and of those companies of the Group that are not country subholding companies, head of business companies, or companies in which they have a stake, and to supervise the implementation, development, and fulfillment of similar programmes at the other companies of the Group, without prejudice to the responsibilities assigned to other bodies and divisions of the Company and, if applicable, to the administrative and management bodies of the country subholding companies and head of business companies of the Group.

For such purposes, the Compliance Unit shall have the power of initiative and control required to oversee the operation, effectiveness, and observance of this Crime Prevention and Anti-Fraud Policy, ensuring that the crime prevention programmes respond to the needs and circumstances of each of the companies of the Group at all times and that the disciplinary systems applicable in each case appropriately penalise the breach of the measures provided for in the programmes.

The foregoing is without prejudice to such bodies or units specifically focusing on the control of criminal or fraudulent activities as it may be necessary or advisable to create at other companies of the Group in order to comply with the industry-specific or national laws of the countries in which they carry out their activities, with which relations shall be established for coordination purposes as appropriate pursuant to the respective applicable law.

b) Evaluation

At least once per year, the Compliance Unit shall evaluate the observance and effectiveness of this Crime Prevention and Anti-Fraud Policy and of the crime prevention programmes of the companies of the Group, and in any event when significant violations of the programmes become evident or there are changes in the
organisation, the structure of control, or the activities carried out by the companies of the Group, at such point assessing whether a modification thereof is appropriate.

c)Revision

The Corporate Social Responsibility Committee shall periodically revise the *Crime Prevention and Anti-Fraud Policy* and shall propose to the Board of Directors those amendments and updates that contribute to the development and ongoing improvement thereof, taking into account any suggestions or proposals made by the Compliance Unit or the professionals of the Group.

This *Crime Prevention and Anti-Fraud Policy* was initially approved by the Board of Directors on 14 December 2010 and was last amended on 23 February 2016.
Corporate Tax Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with the duty to approve the Company’s Corporate Policies and to formulate its tax strategy. The Board of Directors is also responsible for approving investments and transactions that are particularly important from a tax standpoint because of the high amount or special characteristics thereof.

In the exercise of such duties, the Board of Directors approves this Corporate Tax Policy, which forms part of the Corporate Governance and Compliance Policies and sets forth the Company’s tax strategy and its commitment to the application of good tax practices.

1. Purpose

The Company’s tax strategy consists basically of ensuring compliance with applicable tax laws and regulations and seeking to establish an appropriate coordination of the tax policy followed by the entities belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”), all within the framework of fulfilling the corporate interest and support for the long-term business strategy, avoiding tax risks and inefficiencies in the implementation of business decisions.

To that end, the Company takes into account all legitimate interests, including public interests, that converge in its business. In this connection, the taxes that the Group pays in the countries and territories in which it does business are its main contribution to the funding of public purpose needs and, accordingly, one of its contributions to society.

2. Principles

Compliance by the Group with its tax obligations and its relations with tax authorities shall be governed by the following principles:

a) Compliance with tax rules in the various countries and territories in which the Group operates, paying all taxes due in accordance with the legal system.

b) The making of decisions on tax matters based on a reasonable interpretation of applicable legal provisions and in close relationship to the activities of the Group.

c) The prevention and reduction of significant tax risks, ensuring that taxes bear an appropriate relationship to the structure and location of activities, human and material resources, and the Group’s business risks.

d) The strengthening of the relationship with tax authorities based on respect for the law, fidelity, reliability, professionalism, cooperation, reciprocity, and good faith, without prejudice to the legitimate disputes that, observing the aforementioned principles and in the defence of the corporate interest, may arise with such authorities concerning the interpretation of applicable legal provisions.

e) Information is to be provided to the Board of Directors on the main tax implications of the transactions or matters submitted to it for approval, when they are a significant factor in making a decision.

f) Envisaging the taxes that Group companies pay in the countries and territories in which they operate as the principal contribution to sustaining public expenditures, and therefore one of their contributions to society.

3. Good Tax Practices

Applying the foregoing principles, the Company assumes the following good tax practices:

a) Not to use artificial structures unrelated to the Company’s business for the sole purpose of reducing its tax burden nor, in particular, enter into transactions with related entities solely to erode the tax basis or to transfer profits to low-tax territories.
b) Avoid opaque structures for tax purposes, which are understood as structures calculated to prevent knowledge by the competent tax authorities of the party ultimately responsible for the activities or of the ultimate owner of the assets or rights involved.

c) Not to create or acquire companies resident in tax havens, with the sole exception of those cases in which it is forced to do so because it is an indirect acquisition in which the company that is resident in a tax haven is part of a group of companies that are being acquired.

d) Follow the recommendations of the good tax practices codes implemented in the countries in which the companies of the Group do business, taking into account the Group’s specific needs and circumstances.

In Spain, the Company has adhered to the Code of Good Tax Practices (the “Code”) approved on 20 July 2010 by the full Forum of Large Businesses (Foro de Grandes Empresas) – established on 10 July 2009 at the behest of the National Tax Administration Agency (Agencia Estatal de Administración Tributaria).

Without prejudice to any revision of this Corporate Tax Policy by the Company’s Board of Directors within the framework of ongoing improvement of the Corporate Governance System, the Company’s commitment concerning compliance with, further development, and implementation of the Code shall extend to any other good tax practices that stem from the recommendations of the Code in effect at any time, even if not expressly set forth in this Corporate Tax Policy.

e) Cooperate with the competent tax authorities in the detection of and search for solutions for fraudulent tax practices of which the Company is aware that may be used in the markets in which the Group has a presence.

f) Provide significant tax-related information and documents that may be requested by the competent tax authorities as soon as practicable and with the required scope.

g) Notify the appropriate body of the competent tax authority and sufficiently discuss therewith all significant issues of fact of which it has notice, in order to commence the appropriate investigative proceedings, if any, and to promote agreements and consents during the course of inspection proceedings, to the extent reasonably possible and without impairing good corporate management.

4. Monitoring and Control

The Company shall adopt the control mechanisms necessary to ensure compliance with tax laws and regulations and with the principles set forth above by all the companies of the Group, as part of an appropriate business management. It shall also use proper and sufficiently qualified human and material resources for such purposes.

The Audit and Risk Supervision Committee shall, in accordance with the provisions of its Regulations, provide to the Board of Directors information on the tax policies and standards applied by the Company during the financial year and, in particular, on the degree of compliance with the Corporate Tax Policy. In addition, in the case of transactions or matters that must be submitted to the Board of Directors for approval, it shall report on the tax consequences thereof when they constitute a significant factor.

The Company shall promote the adoption of similar reporting procedures to the boards of directors of country subholding companies that are not part of the group of companies consolidated with the Company for tax purposes. Without prejudice to the foregoing, the audit and compliance committees of such country subholding companies shall report to the Company’s Audit and Risk Supervision Committee on the tax policies followed in their respective jurisdictions.

5. Dissemination and Update of the Corporate Tax Policy

a) Dissemination of the Corporate Tax Policy within the Group

The Board of Directors of the Company is responsible for the coordination, within legal limits, of the overall management strategies and guidelines of the Group, acting in furtherance of the interests of each and every one of the companies forming part thereof, while the chairman of the Board of Directors & chief executive officer and the senior officers of the Company are responsible for the organisation and coordination of the Group, by means of the dissemination and implementation of and compliance with the general strategies and policies established by the Board of Directors.

In accordance with the foregoing, the Board of Directors of the Company, through its chairman & chief executive officer and its senior officers, shall promote due observance of the principles and good tax practices set forth in this Corporate Tax Policy by the companies forming part of the Group with significant activities in the tax area.
b) Information to the Market

The Company’s Annual Corporate Governance Report shall set forth the degree of effective compliance with the Code by the Company, as well as with other similar codes or recommendations of other jurisdictions to which the companies of the Group have adhered, and shall report on the operation of the systems for controlling tax risks.

This Corporate Tax Policy was initially approved by the Board of Directors on 14 December 2010, and was last amended on 20 October 2015.
Personal Data Protection Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) is responsible for formulating the strategy and approving the Corporate Policies of the Company, as well as for organising the internal control systems.

In fulfilling these responsibilities, and in order to lay down the general principles that are to govern the processing of personal data at all of the companies belonging to the group of which the Company is the controlling company, within the meaning established by law (the “Group”), the Board of Directors has approved this Personal Data Protection Policy.

1. Purpose

The purpose of the Personal Data Protection Policy is to ensure respect for the rights to good name and reputation and to privacy in the processing of personal data of all persons who establish relations with the companies belonging to the Group and, in particular, to ensure compliance with applicable legislation in this field in each of the countries in which the Group operates.

2. Scope

This Personal Data Protection Policy shall apply to the Company, to the other companies within the Group, to the directors, officers, and employees thereof, and to all persons who establish relations with companies belonging to the Group.

Persons acting as representatives of the Group at companies and entities not belonging thereto shall abide by the provisions of this Personal Data Protection Policy and, to the extent possible, shall promote the application of the principles set forth herein at those companies and entities at which they represent the Group.

By way of further development of the provisions of this Personal Data Protection Policy, the Corporate Security Division, together with the Legal Services of the Company, shall develop internal rules for global data protection management at the Group level, which shall be implemented by the Corporate Security Division and which shall be mandatory for all officers and employees at the Company.

Likewise, the Corporate Security Division and the Legal Services of each country, or such divisions as may assume the duties thereof, shall establish local internal procedures designed to implement the principles laid down in this Personal Data Protection Policy and to adapt the content thereof in accordance with applicable law in their respective jurisdictions.

The Legal Services shall be responsible for ensuring that the internal regulation, practices, and procedures of all companies of the Group are in accordance with the applicable data protection regulation in each case and must disseminate and report on regulatory developments and news that occur in this area.

The Systems Division, or such division as may assume the duties thereof, shall be responsible for implementing the information technology systems of the companies of the Group, those information technology controls and developments that are appropriate to ensure compliance with the internal rules for global data protection management, and shall ensure that said developments are updated at all times to ensure compliance therewith.

In addition, the businesses must (i) subject to the provisions of applicable law in each case, appoint the persons responsible for the data, who shall act on a coordinated basis and under the supervision of the Corporate Security Division, and (ii) coordinate with the Corporate Security Division any activity that involves or entails the management of personal data, in all cases adhering to the special framework of strengthened autonomy of the listed country subsidiary companies.
3. Principles Governing the Processing of Personal Data

The principles underpinning the Personal Data Protection Policy are as follows:

a) General principles:

All Group companies shall thoroughly comply with personal data protection laws in force in each country.

In addition, they shall ensure adherence to the principle of data quality, which provides that personal data shall only be collected and processed when such data are adequate, relevant, and not excessive in relation to the scope and purposes for which they are collected or processed, which purposes must be specific and legitimate, except in those cases in which applicable law provides otherwise.

Group companies shall endeavour to ensure that the personal data collected are true and accurate.

Group companies shall strive to ensure that the principles set forth in this Personal Data Protection Policy are taken into account (i) in the design and implementation of all the procedures established by Group companies, (ii) in the products and services offered thereby, (iii) in all contracts and obligations that they formalise or assume, and (iv) in the implementation of any systems and platforms that allow access by employees or third parties and/or the collection or processing of personal data.

b) Principles governing the collection and processing of data:

To the extent so required by applicable law, in all processes for collection and processing of personal data of shareholders, employees, customers, visitors, and suppliers, accurate and unambiguous information shall be expressly provided regarding at least the existence of such process, the identity of the parties responsible for the data processing, and the purpose for which the data are collected pursuant to applicable regulations and the Corporate Governance System.

The consent of the data subjects must be obtained before their data are collected or processed in all cases in which obtaining such consent is mandatory under applicable legal provisions in each country.

Group companies shall not collect or process any personal data relating to ideology, religion, beliefs, racial or ethnic origin, or sexual orientation, unless the collection of said data is required by applicable law, in which case they shall be collected and processed in accordance with the provisions thereof.

c) Principles applicable to security measures and confidentiality:

Group companies must design, adopt, implement, and maintain all organisational and technical security measures required to ensure that the data are collected and processed in compliance with legal standards.

Save as otherwise provided by applicable law, (i) the data collected and processed by Group companies must be stored with the utmost confidentiality and secrecy, and they shall not be used for purposes other than those that justified and permitted collection thereof, nor disclosed or transferred to third parties other than in those instances in which it is so allowed by applicable legislation in each case, and (ii) the data must be deleted when they are no longer necessary or relevant for the purposes for which they were collected.

d) Principles governing the transfer of data:

It is forbidden to purchase or otherwise obtain personal data from unlawful sources or in those cases in which such data have been collected or transferred in violation of the law or in which the lawful origin of such data is not adequately guaranteed.

e) Principles governing the hiring of data processors:

Prior to hiring any service provider that may have access to personal data for which Group companies are responsible, as well as during the effectiveness period of the contractual relationship, such Group companies must verify that the service provider offers such guarantees and complies with such security measures as are required in each jurisdiction.

f) International transfers of data:

Any processing of personal data that is subject to European Union regulations and entails a transfer of data outside the European Economic Area must be carried out strictly in compliance with the requirements established by applicable law in the jurisdiction of origin.

In addition, Group companies located outside the European Union must comply with such requirements for international transfers of personal data as are applicable in their respective jurisdictions.
g) Principles governing the rights of data subjects:
Group companies must allow the data subjects to exercise the rights of access, correction, deletion, and objection that may apply in each jurisdiction, establishing for such purpose such internal procedures as may be necessary and appropriate, which procedures must at least satisfy the legal requirements applicable in each case.

4. Control and Evaluation

a) Control
The Corporate Security Division, or the division assuming the duties thereof, shall supervise the application of the provisions of this Personal Data Protection Policy by the Company and the other companies of the Group. The foregoing shall in any event be without prejudice to the responsibilities vested in other bodies and divisions of the Company and, if applicable, in the management decision-making bodies of the country subholding companies and of the head of business companies within the Group.

b) Evaluation
The Corporate Security Division shall evaluate compliance with and the effectiveness of this Personal Data Protection Policy at least once per year and shall report to the Finance and Resources Division, or to the division to which it may be assigned at any particular time, on the results of such evaluation.

This Personal Data Protection Policy was approved by the Board on 15 December 2015.
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1. Purpose

The purpose of the Company’s General Risk Control and Management Policy is to establish the basic principles and general framework for the control and management of all kinds of risks facing the Company and the Group, and which must be applied in accordance with the provisions of the Mission, Vision, and Values of the Iberdrola group. The General Risk Control and Management Policy is further developed and supplemented by the Corporate Risk Policies and the Specific Risk Policies that may be established for certain businesses and/or companies within the Group. For purposes of implementing the duty of the country subholding companies to disseminate, implement, and ensure the monitoring of the general policies, strategies, and guidelines of the Group in each of the countries in which it operates and with respect to the businesses grouped within each of them, taking into account the characteristics and particularities thereof, each country subholding company must adopt these Risk Policies, with a specification, if applicable, of the companies included within the scope thereof, and to approve the appropriate guidelines on risk limits, and the head of business companies must approve within their corresponding management decision-making bodies the specific risk limits applicable to each of them and implement the control systems required to ensure compliance therewith.

2. Scope

The General Risk Control and Management Policy applies to all companies that make up the Group, including the companies that are not part of the Group in which the Company has an interest and over which it has effective control, within the limits established by the laws applicable to the regulated activities carried out by the Group in the various countries in which it operates. Excluded from the scope of this policy are the listed country subholding companies and the subsidiaries thereof which, pursuant to their own special framework of strengthened autonomy, have their own risk policies approved by their competent bodies. In any event, said risk policies must be in accord with the principles set forth in this General Risk Control and Management Policy and in the other Risk Policies of the Company. At those companies in which the Company has an interest but which do not belong to the Group, the Company shall promote principles, guidelines, and risk limits consistent with those established in the General Risk Control and Management Policy and in its supplemental Risk Policies and shall maintain appropriate channels of information to ensure a proper understanding of risks.
3. Risk Factors - Definitions

From a general viewpoint, a risk is considered to be any threat that an event, action, or omission may prevent the Group from reaching its objectives and successfully carrying out its strategies.

The risk factors to which the Group is subject generally are listed below:

a) **Corporate Governance Risks:** the Company accepts the need to achieve the fulfillment of the corporate interest and the sustained maximisation of the economic value of the Company and its long-term success, in accordance with the Group’s corporate interest, culture, and corporate vision, taking into account the legitimate public and private interests that converge in the conduct of all business activities, particularly those of the various stakeholders and communities and regions in which the Company and its employees act. A fundamental requirement for the foregoing is compliance with the Company’s Corporate Governance System, made up of the By-Laws, the Mission, Vision, and Values of the Iberdrola group, the Corporate Policies, the internal corporate governance rules, and the other internal codes and procedures approved by the competent decision-making bodies of the Company and inspired by the good governance recommendations generally recognised in international markets.

b) **Market Risks:** defined as the exposure of the Group’s results and net worth to changes in market prices and variables, such as exchange rates, interest rates, commodity prices (electricity, gas, CO₂ emission allowances, other fuel, etc.), prices of financial assets, and others.

c) **Credit Risks:** defined as the possibility that a counterparty fails to perform its contractual obligations, thus causing an economic or financial loss to the Group. Counterparties can be end customers, counterparties in financial or energy markets, partners, suppliers, or contractors.

d) **Business Risks:** defined as the uncertainty regarding the performance of key variables inherent in the business, such as the characteristics of demand, weather conditions, and the strategies of different players.

e) **Regulatory and Political Risks:** defined as those arising from regulatory changes made by the various regulators, such as changes in compensation of regulated activities or in the required conditions of supply, or in environmental or tax regulations, including risks relating to political changes that might affect legal security and the legal framework applicable to the businesses of the Group in each jurisdiction, nationalisation or expropriation of assets, the cancelation of operating licenses, and the termination of government contracts.

f) **Operational, Technological, Environmental, and Social Risks:** defined as those related to direct or indirect economic losses resulting from inadequate internal procedures, technical failures, human error, or as a consequence of certain external events, including the economic, social, environmental, and reputational impact thereof, as well as legal and fraud risks. Said risks include those associated with information technology and cybersecurity, as well as the risk of technological obsolescence, among others.

g) **Reputational Risks:** potential negative impact on the value of the Company resulting from conduct on the part of the Company that is below the expectations created among various stakeholders, as defined in the Stakeholder Relations Policy.

4. Basic Principles

The Group is subject to various risks inherent in the different countries, industries, and markets in which it does business and in the activities it carries out, which may prevent it from achieving its objectives and successfully implementing its strategies.

Aware of the significance of this issue, the Board of Directors of the Company undertakes to develop all of its capabilities in order for the significant corporate risks to all the activities and businesses of the Group to be adequately identified, measured, managed, and controlled, and to establish through the General Risk Control and Management Policy the mechanisms and basic principles for appropriate management of the risk/opportunity ratio, at a risk level that makes it possible to:

a) attain the strategic objectives formulated by the Group with controlled volatility;

b) provide the maximum level of assurance to the shareholders;

c) protect the results and reputation of the Group;

d) defend the interests of customers, shareholders, other groups interested in the progress of the Company, and society in general; and
e) ensure corporate stability and financial strength in a sustained fashion over time.

In the implementation of the aforementioned commitment, the Board of Directors and its Executive Committee have the cooperation of the Audit and Risk Supervision Committee, which, as a consultative body, monitors and reports upon the appropriateness of the system for assessment and internal control of significant risks, acting in coordination with the audit and compliance committees existing at other companies of the Group.

In addition, the duty of implementing and ensuring the monitoring of the Risk Policies is also carried out through the country subholding companies, which group together the equity interests of the energy head of business companies in their respective countries. In particular, these country subholding companies are assigned the duty of specifying the application of the Specific Risk Policies of the Various Business of the Group, given the characteristics and particularities of each country.

All actions aimed at controlling and mitigating risks shall conform to the following basic principles:

a) **Integrate** the risk/opportunity vision into the Company’s management, through a definition of the strategy and the risk appetite and the incorporation of this variable into strategic and operating decisions.

b) **Segregate** functions, at the operating level, between risk-taking areas and areas responsible for the analysis, control, and monitoring of such risks, ensuring an appropriate level of independence.

c) **Guarantee** the proper use of risk-hedging instruments and the maintenance of records thereof as required by applicable law.

d) **Inform** regulatory agencies and the principal external players, in a transparent fashion, regarding the risks facing the Group and the operation of the systems developed to monitor such risks, maintaining suitable channels that favour communication.

e) **Ensure** appropriate compliance with the corporate governance rules established by the Company through its Corporate Governance System and the update and continuous improvement of such system within the framework of the best international practices as to transparency and good governance, and implement the monitoring and measurement thereof.

f) **Act** at all times in compliance with the law and the Company’s Corporate Governance System and, specifically, with due observance of the values and standards reflected in the Code of Ethics and the principles and good practices reflected in the Corporate Tax Policy, under the principle of “zero tolerance” for the commission of unlawful acts and situations of fraud set forth in the Crime Prevention and Anti-Fraud Policy.

5. Comprehensive Risk Control and Management System

The **General Risk Control and Management Policy** and the basic principles underpinning it are implemented by means of a comprehensive risk control and management system, supported by a Corporate Risk Committee and based upon a proper definition and allocation of duties and responsibilities at the operating level and upon supporting procedures, methodologies, and tools, suitable for the various stages and activities within the system, including:

a) The ongoing identification of significant risks and threats, taking into account their possible impact on key management objectives and the accounts (including contingent liabilities and other off-balance sheet risks).

b) The analysis of such risks, both at each corporate business or function and taking into account their combined effect on the Group as a whole.

c) The establishment of a structure of policies, guidelines, and limits, as well as of the corresponding mechanisms for the approval and implementation thereof.

d) The measurement and control of risks following homogenous procedures and standards common to the entire Group.

e) The analysis of risks associated with new facilities, as an essential element in risk/return-based decision-making.

f) The maintenance of a system for internal monitoring of compliance with policies, guidelines, and limits, by means of appropriate procedures and systems, including the contingency plans needed to mitigate the impact of the materialisation of risks.

g) The periodic monitoring and control of profit and loss account risks that might have a significant impact in order to control the volatility of the annual income of the Group.

h) The ongoing evaluation of the suitability and efficiency of applying the system and the best practices and recommendations in the area of risks for eventual inclusion thereof in the model.

i) The audit of the comprehensive risk control and management system by the Internal Audit Division.
6. Risk Policies and Limits

The General Risk Control and Management Policy is further developed and supplemented by the Corporate Risk Policies and the Specific Risk Policies established in connection with certain businesses of the Group, which are listed below and are also subject to approval by the Board of Directors of the Company.

Structure of Risk Policies of the Group:
General Risk Control and Management Policy

Corporate Risk Policies:
- Corporate Credit Risk Policy.
- Corporate Market Risk Policy.
- Operational Risk in Market Transactions Policy.
- Insurance Policy.
- Investment Policy.
- Financing and Financial Risk Policy.
- Treasury Share Policy.
- Risk Policy for Equity Interests in Listed Companies.
- Reputational Risk Framework Policy.
- Information Technology Policy.
- Cybersecurity Risk Policy.
- Procurement Policy.

Specific Risk Policies for the Various Group Businesses:
- Risk Policy for the Networks Businesses of the Iberdrola Group.
- Risk Policy for the Liberalised Businesses of the Iberdrola Group.
- Risk Policy for the Engineering and Construction Business.
- Risk Policy for the Real Estate Business.

This General Risk Control and Management Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 23 February 2016.
2.

Corporate Risk Policies

Corporate Credit Risk Policy

The Corporate Credit Risk Policy provides the framework for the monitoring and management of credit risk from a global viewpoint covering the entire Group, credit risk being understood as all counterparty risks that, in the event of insolvency of such counterparty, might cause the Group to sustain an economic or financial loss.

In particular, this Corporate Credit Risk Policy establishes the identification and segmentation into homogeneous groups of the principal types of relations that give rise to credit exposure within the Group, the implementation of mechanisms to identify common counterparties, the application of corporate guidelines for acceptance of counterparties, as well as the allocation of risk limits in the aggregate and by counterparty, in accordance with credit quality standards.

Additionally, the Risk Policies for each business establish specific credit risk limits and guidelines in line with the characteristics of the different types of businesses.

Corporate Market Risk Policy

The Corporate Market Risk Policy provides a common framework for the monitoring and management of market risk in the entire Group, market risk being understood as any potential loss of margin and/or value due to adverse changes in price-determining factors.

In particular, this Corporate Market Risk Policy sets out differentiated guidelines for the management of the market risk associated with the various activities connected to the energy value chain:

a) Activities associated with the core business for sale in the liberalised market (electricity production at the Company’s own plants, including fuel supply and emission allowances, purchase of electricity and gas, forward, wholesale, or retail sale of electricity and gas through the Company’s own supply company, dedicated generation or cogeneration plants with or without a power purchase agreement (PPA), gas storage, and related hedging transactions).

b) Activities associated with the core business in the regulated market.

c) Other activities involving the “discretionary trading” of electricity, gas, emission allowances, and other fuel and associated products, with respect to which a global “stop-loss” limit is established at the Group level.

Additionally, the Risk Policies for each business establish specific market risk limits and guidelines in line with the characteristics of the different types of businesses and the countries in which the Group has a presence.

Operational Risk in Market Transactions Policy

The Operational Risk in Market Transactions Policy covers the operational and reputational risks deriving from all activities in the markets by the various energy and cash management trading desks of the Group as a result of potential improper procedures, technological errors, human failure, fraud, and any other internal or external event.

This Operational Risk in Market Transactions Policy is based on the following basic principles:

a) Strong risk culture.

b) Proper segregation of duties.

c) Formalisation of clear policies and procedures.

d) Secure and flexible information technology systems.

And established specific directives in this regard, which shall apply based on a principle of proportionality to the number and complexity of all transactions carried out by each of the affected trading desks.

Insurance Policy

The Insurance Policy provides the framework for the monitoring and management, through insurance, of the Company’s global exposure to the impact of the operational risks associated with all the activities and businesses of the Group,
Risk Policies

within the limits established in the law applicable to the regulated activities carried out by the Group in the various countries in which it has a presence.

It includes the limits for the following insurance programmes, among others:

a) Comprehensive casualty.
b) Continuous damages.
c) Civil liability.
d) Environmental risks.
e) Nuclear risk.
f) Directors and officers.

And establishes specific limits for the captive insurance company.

Investment Policy

The Investment Policy provides the framework for the analysis, approval, and monitoring of the investment or divestment projects of all businesses within the Group and for the risks associated therewith, within the limits established in the law applicable to the regulated activities carried out by the Group in the various countries in which it has a presence.

In particular, this Investment Policy sets general limits in terms of profitability and risk for each project, as well as the manner in which it fits into the Group’s strategy.

In addition, the Risk Policies for each business establish specific limits and guidelines in line with the characteristics of the different types of investments.

Financing and Financial Risk Policy

The Financing and Financial Risk Policy provides the framework for coverage of the financial needs of the companies belonging to the Group, by:

a) Ensuring liquidity with minimum financial expense and optimising the Group’s balance sheet.
b) Setting the appropriate levels of risk to be assumed in order to optimise the cost/risk ratio within established limits.
c) Transferring the level of risk associated with financial variables that the Company does not wish to assume to external entities specialising in the management of such risks.
d) Maintaining a solvency in that enable the Group to maintain its credit rating.

The Financing and Financial Risk Policy provides that the management of all of the Group’s financial risks shall be centralised within the Finance and Resources Division:

(i) Market risks: interest rate, exchange rate, liquidity, and solvency.
(ii) Credit risks.
(iii) Operational risks.

Additionally, the Risk Policies for each business provide for the obligation to transfer financial risks to the Finance and Resources Division for integrated management thereby, within the limits established in the law applicable to the regulated activities carried out by the Group in the various countries in which it has a presence.

Treasury Share Policy

The Treasury Share Policy provides that all transactions for the purchase and sale of treasury shares by the Company and/or by its controlled companies shall be conducted in compliance with applicable regulations and with the resolutions adopted in this regard at a General Shareholders’ Meeting, and that they shall always pursue lawful aims, such as:

a) Providing investors with adequate liquidity and depth in the trading of the Company’s shares.
b) Stabilising the share price after a public offer for the sale or subscription of shares by means of a loan of treasury shares by the Company and the granting of a call option on shares to the underwriters for the transaction.
c) Implementing programmes for the purchase of treasury shares approved by the Board of Directors or by the shareholders at a General Shareholders’ Meeting and, in particular, making available to the Company the shares required to comply with the share delivery commitments previously assumed thereby under issuances of securities.
or corporate transactions, such as compensation schemes or loyalty plans for shareholders (e.g., payment of dividends in kind), directors, officers, or employees.
d) Honouring other previously-assumed lawful commitments.
e) Any other purpose allowed under applicable regulations.
Moreover, the Treasury Share Policy provides the framework for the monitoring and management of the market, credit, and operational risks associated with treasury share transactions, including the purchase and sale of shares of the Company and contracting for derivatives on treasury shares and hedging derivatives, and sets limits, *inter alia*, on the total volume of the position and the market risk in terms of value at risk.

**Risk Policy for Equity Interests in Listed Companies**

The *Risk Policy for Equity Interests in Listed Companies* provides the framework for the monitoring and management of risks affecting the various equity interests held in listed companies in the form of shares and derivatives, within the limits established in the law applicable to regulated activities and, in particular, risks associated with the value of:

a) Interests held in companies within the scope of consolidation (subsidiaries, companies under common control, or affiliated companies).
b) Financial interests (financial assets at fair value according to the profit and loss account and financial assets available for sale).

**Reputational Risk Framework Policy**

The *Reputational Risk Framework Policy* provides the framework for the monitoring and management of reputational risk to be implemented by all the Divisions of the Group, with all employees being involved in proactive relationships with the Company’s stakeholders in order to know their expectations and mitigate the associated risks, within the limits established in the law applicable to the regulated activities carried out by the Group in the various countries in which it has a presence.

**Information Technologies Policy**

The *Information Technology Policy* establishes an overall framework for the governance and management of the processes and actions relating to information technology (IT) within the Group. It contemplates the management of risks associated with the use, ownership, operation, participation, influence, and adoption of specific information technology, as well as the processes for the management and control thereof.

It defines an integrated management framework that allows for a global technological focus and is intended to ensure the appropriate management of information technology and of the risks associated therewith, promoting the creation of value through an effective and innovative use of IT and the satisfaction of internal and external users with the level of commitment and services provided, maintaining a balance between the generation of profits, the optimisation of risk levels, and an efficient use of resources, based on standards of proportionality.

Moreover, it contains the guidelines for an information technology governance model common to the entire Group, based on the establishment of an IT Governance Committee and the creation of separate Management Committees within the head of business companies, for purposes of addressing the needs of the businesses, assigning responsibilities, prioritising activities, and generating value through optimisation of costs and ongoing adaptation to technological developments.

**Cybersecurity Risk Policy**

The *Cybersecurity Risk Policy* establishes a global framework for the control and management of the cybersecurity risks applicable to all the companies of the Group. In particular, it refers to the risks arising from threats to and vulnerabilities in information, information and communications systems, facilities, and any other asset that forms part of the Group’s cyber-infrastructure.

It also establishes the guidelines for a cybersecurity management model common to the entire Group, based on the establishment of a Cybersecurity Committee and on the development of global rules and standards to be applied within all the businesses and corporate functions.

The *Cybersecurity Risk Policy* is based upon the following basic principles:
- Raising awareness among all employees, contractors and collaborators regarding cybersecurity risks and ensuring that they have the knowledge, skills, experience and technological abilities needed to support the Group’s cybersecurity goals.
- Ensuring that the Group’s information and telecommunications systems have an appropriate level of cybersecurity and resilience and applying the most advanced standards to those that support the operation of critical cyber-infrastructure.
- Fostering the existence of appropriate cybersecurity and resilience mechanisms for the systems and operations managed by third parties that provide services to the Company.
- Strengthening capacities for prevention, detection, reaction, analysis, recovery, response, investigation, and coordination against terrorist activities and criminality in cyberspace.
- Providing procedures and tools that permit rapid adaptation to changing conditions in the technological environment and to new threats.
- Collaborating with the relevant governmental bodies and agencies in order to contribute to the improvement of cybersecurity in the international sphere.

**Procurement Policy**

The *Procurement Policy* provides the overall framework for the control and management of the market, credit, business, regulatory, operational, reputational, criminal, and cybersecurity risks deriving from the purchase of materials and equipment and from contracting for works and services across the entire Iberdrola Group, with special emphasis being laid on adherence to the ethical commitments of the Group and of its suppliers.

The *Procurement Policy* rests upon the following basic principles:

- Promoting a strong risk culture and the development of a corporate culture based on ethics and honesty across the entire organisation, capable of supporting the professional and ethically responsible behaviour of all of the employees, through strict application of the *Code of Ethics*.
- Establishing, in a coordinated fashion, the standards and controls associated with the activities of purchasing and contracting for equipment, materials, works, and services for the benefit of the companies making up the Group, ensuring full adherence to the corporate organisation deriving from the Group’s governance model.
- Implementing the mechanisms required for purchasing decisions to in any event ensure the achievement of balance between technical competence, quality, price, and supplier qualifications as a key condition for the contribution of value.
- Establishing supplier selection procedures that conform to standards of objectiveness, impartiality, and equal opportunity, ensuring at all times the professionalism of employees as well as their loyalty to the Group and its shareholders regardless of their own or third-party interests.
- Promoting strict compliance by suppliers with contractual terms and conditions and with applicable law, as well as with the guidelines for action set forth in the *Suppliers’ Code of Ethics*.
- Furthering a supplier relationship policy based on the principles of corporate ethics and transparency, striving for continuous improvement and mutual benefit and promoting innovation and development activities.
- Fostering the motivation and active participation of employees, the training required for the performance of their tasks, and the continuous education thereof.

The *Procurement Policy* establishes guidelines and detailed limits regarding levels at which authority may be delegated and purchasing procedures within the Group in accordance with the aforementioned principles, as well as regarding the organisation principles that must be observed to ensure full adherence to the corporate organisation deriving from the Group’s Corporate Governance System. Attached as an Exhibit to the *Procurement Policy* is the *Suppliers’ Code of Ethics*, which must always be attached among the documentation of the Group’s contracts and be accepted by the supplier.
The Suppliers’ Code of Ethics need not be included in the contractual documentation for those contracts in which the counterparty does not have the status of supplier under the Procurement Policy. This particularly includes publicity contracts, sponsorship contracts, agreements for collaboration in general interest activities, and agreements for collaboration to support exceptional public interest events, and any other similar contracts. The Suppliers’ Code of Ethics is included below.

SUPPLIERS’ CODE OF ETHICS

IBERDROLA, S.A. (the “Company”) aspires for its conduct and that of the persons linked thereto, including all participants in the value chain, to respond and adhere to ethical and generally accepted social responsibility principles, in addition to applicable laws and the Corporate Governance System. This ethics and good governance commitment extends to all companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), and to all of its professionals, and the policies that further elaborate on such commitment clearly state that the Group firmly opposes the commission of any wrongful act, whether criminal or otherwise, and that it advances a preventive culture based on the principle of “zero tolerance” for the commission of wrongful acts and fraud and on the application of the principles of ethical conduct and responsible behaviour.

It is essential for this message to be unequivocally conveyed to the third parties with whom the Company maintains relationships, such that they formally undertake to adhere to the Group’s ethical and good governance commitment. The Company considers suppliers to be a strategic stakeholder, and therefore, it has established for them specific guidelines for action in their areas of activity that conform in all respects to the Group’s principles and values and are laid down in this Suppliers’ Code of Ethics, which must be expressly accepted by the Group’s suppliers and shall be attached as an exhibit to the respective contracts.

ETHICS: to maintain commercial relationships in conformity with principles of transparent corporate ethics and management

- Corruption: the Group’s relationship with its suppliers is based on legality, efficiency, and transparency. One of the principles underpinning the United Nations Global Compact (to which the Company adhered in 2002) is the fight against corruption, bribery, and extortion.

  The Group does not tolerate, permit, or become involved in any kind of corrupt practice, extortion, or bribery in the conduct of its business activities, either in the public or in the private sector. Ethical and responsible behaviour is one of the pillars of the Group’s conduct, and its suppliers shall comply with the Group’s policies, rules, and procedures in connection with the prevention of corruption, bribery, and extortion.

  No supplier of the Group shall offer or give government officials, third parties, or any employee of the Group, within the context of the business activity carried out for or on behalf of the Group, whether directly or indirectly, gifts, presents, or other unauthorised advantages, whether in cash or otherwise, in order to secure favourable treatment in the award or maintenance of contracts or to obtain benefits for themselves or for the supplying company. Acts of bribery, which are expressly prohibited, include the offer or promise, whether direct or indirect, of any kind of improper advantage, any instrument designed to conceal them, and influence-peddling.

  Suppliers shall abide by the strictest rules of ethical and moral conduct and by international agreements and shall comply with the law applicable to these matters, ensuring the establishment of adequate procedures required for such purpose.

- Conflict of interest: suppliers shall maintain mechanisms ensuring that their independence of action and full compliance with applicable law shall not be affected in the event of a possible conflict of interest involving any of their employees.

- Information: the information owned by the Group and disclosed to a supplier shall, as a general rule, be deemed to be private and confidential information.

  Suppliers and all professionals therewith shall be responsible for adopting adequate security measures to protect such private and confidential information.

  The information provided by a supplier to its contacts within the Group shall be true and shall not be given with the intent to mislead.
LABOUR PRACTICES: to ensure the protection of internationally recognised basic human and workers’ rights within their sphere of influence

- **Forced labour**: Suppliers shall take steps and adopt all required measures within their organisation to eliminate all kinds or forms of forced or compulsory labour, understood as any work or service demanded from an individual under threat of any kind of penalty.

- **Child labour**: Suppliers shall expressly reject the use of child labour within their organisation, shall respect the minimum hiring age limits in accordance with applicable law, and shall have adequate and reliable mechanisms in place to verify the age of their employees.

- **Freedom of association and collective bargaining**: Suppliers shall respect the freedom of union association and the workers’ right to collective bargaining, subject to the law applicable in each case.

- **Equal opportunity and non-discrimination**: Suppliers shall reject all discriminatory practices in employment and occupational matters and shall treat their employees fairly and with dignity and respect. For purposes hereof, discrimination shall include any distinction, exclusion, or preference by reason of race, colour, sex, religion, political opinion, national extraction, or social origin which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation.

- **Fair remuneration**: Suppliers shall pay their employees in accordance with the provisions of applicable wage laws, including minimum wages, overtime, and social security benefits.

HEALTH AND SAFETY: to provide a safe working environment, complying with the requirements established in connection with the prevention of occupational risks

- **Employee protection**: Suppliers shall ensure the protection of their employees, particularly protecting them from overexposure to chemical, biological, or physical hazards or to tasks demanding excessive physical effort at the workplace.

- **Potential emergency situations**: Suppliers shall identify and evaluate potential emergency situations at the workplace and shall minimise the possible impact thereof by implementing emergency plans and emergency response procedures.

- **Training and qualifications**: Suppliers shall provide their personnel with the training and means required to do their work as agreed under contract, and shall be liable for any damage or loss attributable to the suppliers by action or omission, especially as a consequence of not having taken appropriate preventive measures to avoid it.

ENVIRONMENT: To maintain an environmentally-friendly preventive approach, fostering initiatives to promote enhanced environmental awareness

- **Environmental aspects**: Suppliers shall have in place an effective environmental policy that ensures compliance with all obligations applicable thereto under applicable law.

- **Waste and emissions**: Suppliers shall identify and manage those substances and other materials that present a hazard when released into the environment in order to ensure that they are handled, transported, stored, recycled or reused, and disposed of safely and in compliance with applicable regulations. All waste materials, waste water, or emissions having the potential to adversely affect the environment shall be appropriately managed, controlled, and treated.

PRODUCT QUALITY AND SAFETY: to promote continuous improvement in the quality of the products and services supplied

- **Legal and customer requirements**: All products and services delivered by suppliers shall meet the quality and safety standards and parameters required by applicable law, with special emphasis being placed on adherence to agreed prices and delivery dates.

SUBCONTRACTING: to ensure compliance with these requirements by parties collaborating with and subcontractors of suppliers

- **Value chain**: The Group’s suppliers shall be responsible for ensuring that their own suppliers and subcontractors are subject to guidelines for action substantially similar to those established in this Suppliers’ Code of Ethics.
This Suppliers’ Code of Ethics is understood to be without prejudice to such additional conditions or requirements as may be imposed by applicable law, by the practices and rules of the various jurisdictions in which the Group operates, and by the respective contract with each supplier, which shall apply in all cases.

The basic principles set forth herein apply to all of the Group’s suppliers, and the Group may ensure compliance therewith and shall act accordingly in the event of any violation. Furthermore, the Group shall make available suitable means to collaborate with its suppliers with a view to increasing their competitiveness, establishing appropriate programmes in each case.

SUPPLIERS’ ETHICS MAILBOX

The Company has established a suppliers’ ethics mailbox (the “Suppliers’ Ethics Mailbox”) as a channel of communication so that suppliers of the Company (the “Suppliers”) and the companies they hire to provide services or supplies to the Company (the “Subcontractors”), their respective employees, and companies that have participated in service or supply bidding to be Suppliers may report conduct that may involve a breach by a Group professional of the Corporate Governance System or an illegal act or the commission by a Supplier, one of its Subcontractors, or their respective employees of an illegal act or act in violation of the provisions of this Suppliers’ Code of Ethics within the framework of their commercial relationship with the Company or the companies of its Group.

Suppliers must promptly report the above conduct of which they become aware due to their commercial relationship with the Company or the Companies of its Group.

By contracting with the Company, Suppliers undertake to inform their employees and their Subcontractors of the contents of this Suppliers’ Code of Ethics and the existence of the Suppliers’ Ethics Mailbox, as well as to require their Subcontractors to inform their employees thereof. In addition, Suppliers must be able to verify compliance with such obligations at the request of the Company.

Suppliers and Subcontractors may also use the Suppliers’ Ethics Mailbox to make queries or comments regarding the Suppliers’ Code of Ethics.

The country subholding and head of business companies of the Group that have compliance units or divisions may create their own suppliers’ ethics mailboxes or any other reporting channels that they deem suitable or appropriate for such purpose.

Communications addressed to the Ethics Mailbox may be sent by filling out an electronic form that will be available on the Company’s corporate website (in the suppliers area) and, if appropriate, on the websites of the companies of its Group, in a section to be called “Suppliers’ Ethics Mailbox”.

The informing principles of the Suppliers’ Ethics Mailbox are the following:

a) The communications must always observe the standards of truthfulness and proportionality; this mechanism may not be used for purposes other than those seeking compliance with law or the internal rules cited above.

b) The identity of the natural person reporting an irregular activity through the Suppliers’ Ethics Mailbox shall be considered confidential information and therefore shall not in any case be communicated to the individual being accused and avoiding any kind of response by the accused person as a result of the report.

c) Without prejudice to the foregoing, the data regarding the persons making the report may be provided to both government and court authorities, insofar as they are requested by such authorities in relation to any proceedings deriving from the subject-matter of the report, and to the persons involved in any subsequent investigation or legal proceedings brought as a result of the investigation. Such assignment of data to government or court authorities shall in all cases be provided in full compliance with personal data protection legislation.

The Compliance Unit shall be responsible for managing the communications sent through the Suppliers’ Ethics Mailbox of the Company. In the case of country subholding and head of business companies of the Group that have compliance units or divisions, they shall be responsible for managing the communications sent through the Suppliers’ Ethics Mailbox of the respective company. If the matter affects a country subholding or head of business company of the Group that has its own compliance unit or division, the Compliance Unit shall send the communication to such unit or division in order for it to proceed with evaluation and processing in accordance with its own rules. Notwithstanding the foregoing, if the matter affects more than one country subholding or head of business company that has a compliance unit or division, the processing of the file shall be coordinated by the Compliance Unit.
The Compliance Unit and/or the compliance divisions and units of the country subholding and head of business companies, based on the particular circumstances of the case, may inform the author of the communication regarding the status of the process.

The data provided through the Suppliers’ Ethics Mailbox shall be included in a personal data owned by the Company, or the country subholding or head of business companies of the Group that have compliance units or divisions, for managing the communications received as well as to perform any investigations required to determine whether there has been a violation. The rights of access, rectification, erasure, and objection, when applicable, may be exercised by means of written communication addressed to the registered office of the Company or of the country subholding or head of business companies of the Group, which may be consulted at the following link https://www.iberdrola.es/accionistas-inversores/gobierno-corporativo/estructura-societaria-gobierno/sociedades-grupo/ through a written communication addressed to the corresponding company directed to attention of the “Compliance Division”, referencing the subject “LOPD”.

The Company undertakes to at all times handle the personal data of the natural person making the report in an absolutely confidential manner and in accordance with the purposes set forth in this section, and shall adopt the technical and organisational measures necessary to ensure the safety of their personal data and to avoid the alteration, loss, or unauthorised processing thereof or access thereto, taking into account the state of technology, the nature of the data stored, and the risks to which it is exposed, all in compliance with the laws on personal data protection. The companies of the Group shall in any event use the warnings required by law in each data collection form. However, given the differences in regulation in the various countries in which the Group does business, the foregoing shall be without prejudice to the operation of the Suppliers’ Ethics Mailboxes fully observing applicable law in each country in which the Group operates. The obligations and commitments assumed by the Group in its relations with third parties, as well as the customs and good practices of the countries in which it does business shall also be fully observed.
Specific Risk Policies for the Various Group Businesses

Risk Policy for the Liberalised Businesses of the Iberdrola Group

The Risk Policy for the Liberalised Businesses of the Iberdrola Group provides the framework for the monitoring and management of risks associated with the Group’s liberalised businesses in the various countries in which it operates:

Spain and Portugal:
- a) Electricity production wholesale purchase and sale of energy (electricity, gas, and other fuel), including the power purchase agreement with Iberdrola Renovables España.
- b) Retail sale of electricity, gas, and energy services.
- c) Strategic and operational planning of electricity production, fuel supply, and emission rights and the wholesale and retail sale of electricity and gas.
- d) Investments in new generation or cogeneration plants.

United Kingdom:
- a) Production of electricity and the wholesale purchase and sale of energy (electricity, gas, and other fuel), including the power purchase agreement with Scottish Power Renewables).
- b) Retail sale of electricity, gas, and energy services.
- c) Planning of electricity production, supply of fuel, and emission rights, and wholesale and retail sale of electricity and gas.
- d) Investments in new generation plants.

Mexico:
- a) Production and sale of electricity to the Federal Electricity Commission (Comisión Federal de Electricidad) (“CFE”).
- b) Production and sale of electricity and steam to private user-partners.
- c) Sale of the power from Iberdrola Renovables México under a signed services agreement.
- d) Strategic and operational planning of electricity production and fuel supply.
- e) Investments in new generation or cogeneration plants.

United States and Canada:
- a) Regulated storage of gas.
- b) Liberalised storage and transportation of gas.
- c) Purchase/sale of gas and other related positions.
- d) New investments or contracting of new capacity.

Risk Policy for the Renewable Energy Businesses of the Iberdrola Group

The Risk policy for the Renewables Businesses of the Iberdrola Group provides the framework for the monitoring and management of risks associated with the renewables businesses of the Group having effects on all activities related to the production of renewable energy carried out by the Group in the various countries in which it operates:
- a) New investments.
- b) Production and sale of renewable energy.
- c) Operation and maintenance of the facilities.

In particular, it provides the guidelines for covering the market risk associated with the sales price of electricity in the various countries in which the Group operates.
Risk Policy for the Networks Businesses of the Iberdrola Group

The Risk Policy for the Networks Businesses of the Iberdrola Group provides the framework for the monitoring and management of risks associated with the networks businesses of the Group having effects on the regulated activities of each country in which the Group has a presence. The Risk Policy for the Networks Businesses of the Iberdrola Group applies to all regulated electricity and gas distribution activities carried out by the Group in:

Spain
Regulated networks activities:
  a) Distribution of electricity, including the planning, development, and operation and maintenance of networks.
  b) Billing and collection for usage charges.
  c) Reading of the meters of consumers connected to its networks.
  d) Cut-off and reconnection of customers on behalf of sales companies or on its own behalf for ATR customers.

United Kingdom
Regulated activities of planning, development, and operation and maintenance of distribution and transmission networks, respectively.

United States
Regulated activities of:
  a) Electricity transmission and distribution.
  b) Regulated gas distribution and storage.
  c) Retail sale of electricity and gas at regulated rates.

Brazil
Regulated activities of:
  a) Supply of electricity for sale to unregulated customers.
  b) Project management.
  c) Construction of turnkey facilities for third parties.
  d) Preparation of energy efficiency studies.

Risk Policy for the Engineering and Construction Business

The Risk Policy for the Engineering and Construction Business establishes the framework for the monitoring and management of risks affecting the business carried out by Iberdrola Ingeniería y Construcción, in order to mitigate and reduce the risks associated with the fulfilment of its objectives.

In view of their significance, this section particularly contemplates the risks associated with third-party projects, both turnkey (Engineering Procurement and Construction - EPC) and engineering and technical consultancy projects.

Risk Policy for the Real Estate Business

The Risk Policy for the Real Estate Business establishes the framework for the monitoring and management of risks affecting the business carried out by Iberdrola Inmobiliaria, in order to mitigate and reduce the risks associated with the fulfilment of its objectives.

Particularly contemplated are the risks associated with activities of land management, real estate development, and the lease of assets of Iberdrola Inmobiliaria both in Spain and in other countries.
Part III.

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General Corporate Social Responsibility Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) has the power to design, assess, and continuously revise the Corporate Policies, which contain the guidelines governing the conduct of the Company and of the companies belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”), and further develop the principles reflected in the Mission, Vision, and Values of the Iberdrola group and the other rules of the Corporate Governance System.

The Corporate Social Responsibility Policies include the corporate social responsibility policies intended to favour a culture of social responsibility within the Group, on a global basis, which contributes to the sustainable creation of value for society, citizens, customers, shareholders, and the communities in which the Group does business, equitably compensating all groups that contribute to the success of its business enterprise, and to make new investments considering their social return, generating employment and wealth for society with a long-term vision that achieves a better future without compromising present results.

The Board of Directors of the Company has assumed as one of the basic premises for the success of its business enterprise to be the sustainable development of the communities in which it does business and the wellbeing of people: customers, citizens, and shareholders who contribute to achieving the corporate interest.

Aware of this reality, the Group contributes to the development of communities with its business activity and its social responsibility strategy, with measures designed to promote education and culture and to protect vulnerable groups, and works to establish firm and permanent bonds, taking into consideration the interests of its workforce, shareholders and the financial community, regulatory bodies, customers, suppliers, the media, society in general, and the environment (the “Stakeholders”).

Along these lines, the Group’s social responsibility strategy seeks to place it at the forefront of best practices in this area, convinced that these aspects are a fundamental part of its strategy of excellent and to improve its competitiveness, apart from being a basic component for fulfilling its corporate interest.

The General Corporate Social Responsibility Policy is intended to establish the basic principles and the general framework of activities for the management of corporate social responsibility practices assumed by the Company and the Group and to serve as the basis for integrating social responsibility into the Business Model of the Group and its strategy. The General Corporate Social Responsibility Policy is further developed and supplemented by various Social Responsibility Policies addressing specific needs and expectations of the Stakeholders.

The corporate website of the Company is one of the main instruments for channelling its relations with the Stakeholders. The General Corporate Social Responsibility Policy applies to all companies within the Group, including the listed country subholding companies and subsidiaries thereof, with the special characteristics that may be established by the special framework of strengthened autonomy in each case.

At those companies in which the Company has an interest and to which the General Corporate Social Responsibility Policy does not apply, the Company will promote, through its representatives on the boards of directors thereof, the alignment of their own policies with those of the Company, such that they adhere to principles and guidelines that are consistent with those set forth in this General Corporate Social Responsibility Policy and in the other Social Responsibility Policies.
Objectives

1. Objectives of the General Corporate Social Responsibility Policy

The Company and the other companies of the Group carry out their business enterprise and their own business model with the objective of sustainably creating value for society, citizens, customers, shareholders, and for the communities in which they do business, providing a high-quality service through the use of environmentally-friendly energy sources, innovating and maintaining awareness of the opportunities offered by the knowledge economy.

For this purpose, the Group makes new investments considering their social return, promotes the growth and develops the technical and human capacities of its professionals, works for the safety of people and supply, and labours to build a successful business enterprise together with all of the participants in its value chain.

Fulfilment of the corporate interest of the Company, as defined in its By-Laws, requires the assumption of corporate social responsibility policies that favour 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”.

The knowledge, dissemination, and diffusion of the values of the Group guide the conduct of the Board of Directors, the committees thereof, and the other decision-making bodies of the Company in its relations with Stakeholders.

The instruments implemented by the Group must contribute to the development of the communities in which the Group is present with its business activities and its social responsibility, with measures directed toward promoting education and culture and protecting vulnerable groups, and specifically:

a) Favour the achievement of the strategic goals of the Group in order to offer a safe, reliable, and high-quality supply of energy that is respectful of the environment.

b) Improve the competitiveness of the Group through the assumption of management practices based on innovation, equal opportunities, productivity, profitability, and sustainability.

c) Responsibly manage the risks and opportunities deriving from changes in the surroundings, and maximise the positive impacts of its activities in the various territories in which it operates and minimise the negative impacts, to the extent possible.

d) Encourage a culture of ethical behaviour that increases business transparency in order to generate creditability and trust within the Stakeholders, which includes society as a whole.

e) Promote relationships based on trust and the creation of value for all of its Stakeholders, providing a balanced and inclusive response to all of them.

f) Contribute to boosting the reputation and the external recognition of the Group.

Principles of the Policy

2. The Corporate Social Responsibility and the Adaptation thereof to the Corporate Structure of the Group

To achieve the aforementioned objectives, the Group will be guided by the principles of conduct set forth in the Corporate Governance System, and specifically in the General Corporate Social Responsibility Policy and supplementary policies regarding society in general and the various Stakeholders with which it interacts and that are affected by its activities.

The implementation, monitoring and supervision of the principles according to the corporate structure of the Group and its governance model, as defined in the Corporate Governance System, is the responsibility of the various companies of the Group.

Pursuant to the provisions of the General Corporate Governance Policy, the following responsibilities shall apply in the application thereof:

a) The Board of Directors is responsible for establishing the Group’s policies and strategies and the basic guidelines for the management thereof, as well as general supervision of the development of the development thereof.

b) The chairman of the Board of Directors & chief executive officer is responsible for the strategic organisation and coordination of the Group.
c) The boards of directors of the country subholding companies are responsible for disseminating, implementing, and ensuring compliance with the policies and general guidelines of the Group in each of the countries in which it operates and with respect to the businesses grouped within each of them, taking into account the characteristics and unique aspects thereof.

d) The boards of directors of the head of business companies are responsible for the day-to-day management of the application of these policies, the effective management thereof, and the responsibility for the day-to-day control thereof.

The exercise of these responsibilities is put into practice through the various committees that assume duties in the area of corporate social responsibility and reputation. Specifically:

a) Corporate Committee on Corporate Social Responsibility and Reputation, which has the duties of: defining the basic corporate lines of evolution of social responsibility and reputation within the group, approving and monitoring the plans for development in both areas, being aware of the most significant advances, and cooperating in the preparation of the public information disclosed by the Company in these areas.

b) Corporate Social Responsibility and Reputation Committees within each of the country subholding companies, in order to promote compliance with the policies and guidelines approved in the various countries in which the Group operates: coordinating the corporate strategy among the various businesses carried out in each country and informing the Corporate Committee on Corporate Social Responsibility and Reputation of the results achieved.

3. General Principles of Conduct

In order to meet the goals set out in the area of corporate social responsibility, the Company adopts the following general principles of conduct:

a) Comply with applicable law in the countries and territories in which it does business, with the supplementary and voluntary adoption of international commitments, rules, and guidelines in those countries in which the legal framework is inadequate or insufficient, basing its relations with the competent public authorities in each jurisdiction on fidelity, reliability, professionalism, collaboration, reciprocity, and good faith.

b) Support the inclusion of the principles of the United Nations Global Compact, as well as other international instruments, especially in the areas of human rights, labour practices, the environment, and the fight against corruption.

c) Align its conduct with the principles contained in the Mission, Vision, and Values of the Iberdrola group and follow the guidelines contained in the other rules of the Corporate Governance System, especially those of the Code of Ethics, which governs the responsible conduct of all professionals of the Group in the performance of their activities.

d) Favour free market practices, rejecting any illegal or fraudulent practice, implementing effective mechanisms for prevention, surveillance, and punishment of irregular acts.

In particular, a commitment is assumed to pursue and denounce any practice of corruption of which the Group becomes aware in any of the territories in which it operates.

e) Adopt cutting-edge corporate governance practices, in line with good governance recommendations generally accepted in international markets, based upon business transparency and mutual trust with the Stakeholders.

f) Encourage communication and dialogue, thus facilitating the Group’s relationships with its shareholders, investors, employees, customers, suppliers, and, in general, all of its Stakeholders, in accordance with the Stakeholder Relations Policy, in order to forge a sense of belonging to an excellent company, to harmonise business values and social expectations, and to adapt, to the extent possible, the policies and strategies of the Group to their interests, concerns, and needs, using all communications within its reach such as direct contact, social networks, and the corporate website of the Company and of the various companies of the Group.

4. Main Principles of Conduct

Set forth below is a description of the main principles of conduct of the Group with respect to the various aspects of corporate social responsibility and with its principal Stakeholders.

4.1 Principles of Conduct with respect to the Sustainable Creation of Value

The sustainable creation of value is the fundamental value governing the policies, strategy, and operations of the Group, and entails the equitable compensation of all groups contributing to the success of the Group’s business enterprise and consideration of the social return on new investments, generating employment and wealth for society with a long-term vision that seeks a better future without compromising present results.

The fundamental principles are developed in the Sustainability Policy and can be synthesised as follows:
a) Spread universal access to modern forms of energy, with models that are environmentally sustainable, economically feasible, and socially inclusive.
b) Establish instruments to strengthen the competitiveness of the energy products supplied through efficiency in energy generation, transmission, and distribution processes. The Company thus pays special attention to the excellent management of its processes and resources, using the instruments developed in the Quality Policy.
c) Implement strategies tending to ensure the safe and reliable supply of energy products.
d) Advance the sustainable use of resources and the protection of biodiversity and contribute to the fight against climate change, promoting the minimisation of impacts caused by the Group’s activities, nurturing respect for the natural environment, and striving to provide information and education in this culture.
e) Strengthen the social dimension of the Group’s activities and contribute to sustainable development through awareness-raising among the citizenry on the responsible consumption of products and services, among other measures.

4.2 Principles of Conduct with respect to Transparency

Transparency is fundamental for transmitting confidence and credibility, both to the markets and investors, as well as to employees and the rest of the Stakeholders. The Company undertakes to:

a) Disseminate relevant and reliable information regarding the Group’s performance and activities.
b) Encourage transparency, assuming a commitment to annually prepare and publish financial and non-financial information regarding its activities, following generally accepted methodologies and submitting the information to independent external verification with respect to the latter.

In particular, apart from the additional information required by applicable legal provisions in each country or voluntarily assumed by the Company or any of the other companies of its Group, the Company shall publish the following reports: the Integrated Report; the Annual Financial Report; the Annual Corporate Governance Report; the Sustainability Report; the Integrated Report on the Activities of the Consultative Committees of the Board of Directors (or different reports for each committee, as appropriate), and the Annual Director Remuneration Report.

4.3 Principles of Conduct with respect to the Protection of Intellectual Capital

Intellectual capital constitutes the principal differentiating element of competitive companies. Therefore, the Company considers the development and protection thereof to be a fundamental aspect, which is further developed in the Knowledge Management Policy and the Corporate Security Policy, the main principles of conduct of which are:

a) Foster initiatives, procedures, and tools that allow the Company to truly and effectively exploit the Group’s intellectual capital.
b) Develop specific defence plans that guarantee the appropriate protection of the Company’s intellectual capital, especially with regard to cybersecurity and to the fight against industrial espionage, in accordance with the provisions of the Corporate Security Policy.

4.4 Principles of Conduct with respect to Innovation

The Company believes that innovation is a strategic variable that affects all the businesses of the Group and all the activities it carries out. The main principles of conduct that further develop the Group’s desire to lead innovation within the energy industry are set forth below and further developed in the Innovation Policy.

a) Promote research, development, and innovation (RD&I) activities, focusing on sustainable development and the promotion of renewable energy and emerging technologies.
b) Create innovations fostering sustainable growth and the efficient management of resources and contributing to the social and economic development of the surroundings in which the Group does business.
c) Engage in projects in the area of universalisation of energy services based on models that are environmentally sustainable, economically feasible, and socially inclusive.
d) Place the Group at the forefront of new technologies and disruptive business models.

4.5 Principles of Conduct with respect to Responsible Tax Policy

The taxes that the Group pays in the countries and territories in which it does business are the main contributions of the Group’s companies to the funding of public purpose needs and, accordingly, one of their contributions to society. Within the framework of the provisions of the Corporate Tax Policy, the Group assumes the following commitments:

a) Compliance with applicable tax laws in the various countries and territories in which the Group operates.
b) The making of decisions on tax matters based on a reasonable interpretation of applicable legal provisions and in close relationship to the activities of the Group.

c) Not to create or acquire companies resident in tax havens, with the sole exception of those cases in which it is forced to do so because it is an indirect acquisition in which the company that is resident in a tax haven is part of a group of companies that are being acquired.

d) Avoid the use of opaque or artificial structures unrelated to the Group’s business activities for the sole purpose of reducing its tax burden. In particular, a commitment is made not to enter into transactions with related entities solely to erode the tax basis or to transfer profits to low-tax territories.

e) The strengthening of the relationship with tax authorities based on trust, good faith, professionalism, cooperation, loyalty, and reciprocity, without prejudice to the legitimate disputes that, observing the aforementioned principles and in the defence of the corporate interest, may arise with such authorities concerning the interpretation of applicable legal provisions.

**Principles of conduct with respect to the principal stakeholders**

5. **Principles of Conduct with respect to the Principal Stakeholders**

5.1 Shareholders and Investors

The Company’s shareholders and investors are the main Stakeholder with which the Group relates. The principles guiding this relationship are:

a) Shareholders must exercise their rights vis-à-vis the Company and other shareholders, and must comply 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 of the Company.

b) The Company facilitates and promotes a responsible exercise of their rights and the performance of their duties by the shareholders and the holders of rights or interests in shares, subject to the principle of equal treatment.

c) The Company favours the informed participation of the shareholders at the General Shareholders’ Meeting and takes proper measures to facilitate the effective exercise by the shareholders at a General Shareholders’ Meeting of the powers they hold under the law and the Corporate Governance System.

The Board of Directors thus makes available to the shareholders, on the occasion of each General Shareholders’ Meeting, a **Shareholder’s Guide** and certain rules of implementation that standardise, adapt, further develop, and make more specific the provisions of the Company’s Corporate Governance System concerning the exercise of shareholders’ rights relating to the holding of the General Shareholders’ Meeting.

d) The Company encourages the engagement of the shareholders in corporate life, especially in the areas of corporate governance and social responsibility. For this purpose, the Board of Directors has adopted various initiatives like Shareholder Day, has created and developed various channels for communication and participation, and has approved the **Shareholder Engagement Policy**.

e) The Board of Directors of the Company has approved a **Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors** that develops the relations with analysts, institutional investors, and proxy advisors, and recognises ongoing attention to the transparency of information for shareholders and the markets generally as a strategic goal.

5.2 Communities Where the Group Does Business

The Group is characterised by its international presence. In its operations, it assumes the following principles relating to the various territories and communities in which it operates:

a) Build strong bonds with the communities in which the Group does business, thus generating confidence and forging a sense of belonging to an excellent company, of which they feel they are an integral part.

b) Harmonise the activities of the Group in the various countries in which it operates with the various social and cultural realities.
c) Strengthen relations of trust with the various communities with which it interacts, by supporting the various governments and leading social organisations.

d) Favouring access to energy, both by groups with particular economic difficulties and by isolated communities.

e) Strengthen respect for the rights of ethnic minorities in all of the communities in which the Group is present.

f) Engage in corporate volunteering programmes that promote the participation of the professionals of the Group in volunteer actions to put into practice the provisions of the Mission, Vision, and Values of the Iberdrola group as regards improving the quality of life of people, looking after the environment, and sustainable development, as well as universal access to energy, including collection campaigns that seek to respond to social needs.

g) Support the promotion and conservation of cultural and artistic heritage of the territories and communities in which the Group does business.

The Group also collaborates on specific projects in emerging and developing countries as well as in areas in a situation of humanitarian crisis, actively participating in the search for sustainable solutions for access to modern forms of energy.

5.3 The Environment

The Company aspires to be the preferred global energy company, among other reasons, because of its respect for the environment, as highlighted and developed in the following policies: the Environmental Policy, the Policy against Climate Change, and the Biodiversity Policy.

The Group’s devotion to leadership in the development of clean energy and respect for the environment are the pillars of its energy production model and the factor that distinguishes it in the energy industry as one of the leading companies worldwide. This takes form in the following basic principles of conduct:

a) Preserve the biodiversity of the ecosystems, landscapes, and species where the Company carries out its activities, both in the construction stage and in the operation and during the dismantling of its infrastructure.

b) Prevent pollution by gradually reducing the intensity of greenhouse gas emissions, continuing the development of electric energy from renewable sources, and progressively introducing more efficient technologies having a lower intensity of carbon dioxide emissions.

c) Optimise the management of hazardous and non-hazardous waste through systems that set objectives and goals, among other aspects, waste reduction, the use of best practices, and the use of recycled materials.

5.4 Employees

The Group considers its employees to be a strategic asset, to whom it cares for and offers a good working environment, encouraging their development, training, and reconciliation measures, and favouring equality of opportunity. Therefore, Group companies work to obtain, promote, and retain talent and to encourage the personal and professional growth of all persons within its workforce, making them participants in its successful business enterprise and guaranteeing them a dignified and safe job.

The inter-relation of the various companies of the Group with their employees follows the following principles:

a) Respect the human and labour rights recognised by domestic and international laws and, in particular, those the violation of which degrades the workforce, which entails the opposition to child labour and to forced or compulsory labour, and respect the freedom of association and of collective bargaining as well as the rights of ethnic minorities in the countries where the Group does business, upon the terms set forth in the Policy on Respect for Human Rights.

b) Recruit, select, and retain talent within a favourable employment relationships framework, based on equality of opportunity, non-discrimination, and the consideration for diversity in all its variables, facilitating measures for the integration of disadvantaged groups and groups with various abilities, and for reconciliation of personal and working life.

c) Recognise and value family and personal connections among the professionals of the Group, a necessary consequence of its strong local roots within the communities in which it has historically done business, and establish measures ensuring that employees with such connection are not favoured or discriminated against in hiring and promotion.

d) Establish a remuneration policy that favours the hiring of the best professionals and strengthening of the Group’s human capital.
e) Promote the training and qualification of workforce, favouring professional promotion and adapting human resources to a diverse and multicultural work environment. This principle of conduct is developed in the Knowledge Management Policy.

f) Ensure a safe and healthy working environment within the Group and in its spheres of influence. The measures that favour this objective are developed in the Occupational Safety and Health Policy. These principles of conduct are further developed in the Human Resources Framework Policy, in the Policy on Equal Opportunity and Reconciliation, and in the Recruitment and Selection Policy.

5.5 Customers

The companies of the Group work to know the needs and expectations of their customers in order to offer them the best solutions, defending the proper operation of the market under free competition, continuously working to care for and increase their satisfaction, strengthening their connection to the Group, and promoting responsible consumption, and therefore assume the following principles of conduct:

a) Obey and comply with the rules governing communication and marketing activities and accept the voluntary codes that provide transparency and truthfulness to such activities.

b) See to the protection of the health and safety of its customers in all of the life cycles of the products it sells, by complying with the law applicable in each case and providing training and information to consumers using various instruments: corporate websites, information in invoices, and the development of training and informational campaigns.

c) Provide information to its customers allowing for a more rational, efficient, and safe use of electricity and gas in the countries in which it sells its products.

d) Pay attention to customers who are economically disadvantaged or in any other situation of vulnerability, establishing specific procedures of protection and collaborating in providing ongoing access to energy and gas supply according to the policies established by the competent government administrations in each case.

e) Facilitate effective access to information regarding the services provided by the Group that is needed by customers with idiomatic or sensory difficulties, by implementing the appropriate instruments for such purpose.

f) Adopt the instruments necessary to ensure the confidentiality of the data of its customers, in accordance with the provisions of the Code of Ethics.

g) Pursue continuous improvement of the quality of supply in the various countries in which it operates.

h) Monitor the quality of the service provided to its customers, through surveys measuring their satisfaction, and through customer service.

5.6 Suppliers

It is essential to ensure that all participants in the value chain of the Group’s companies respond to and accommodate generally accepted ethical and social responsibility principles, in addition to applicable laws and the Corporate Governance System. Therefore, the principles of conduct are:

a) Adopt responsible practices in the management of the supply chain.

b) Cause all participants in the value chain to comply with the principles and values set forth in the Supplier Code of Ethics regarding business ethics and transparent management, labour practices, health and safety, the environment, the quality and safety of the products and services sold, and development of responsible practices in the supply chain, promoting strict respect for the human and labour rights recognised in domestic and international law, in performing its activities.

This General Corporate Social Responsibility Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 21 June 2016.
Stakeholder Relations Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with the power to design, evaluate, and review the Company’s Corporate Governance System on an ongoing basis and to approve the Corporate Policies that further develop the principles reflected in such system, which contain the guidelines governing the actions of the Company and of the companies belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”).

Among the Corporate Policies, corporate social responsibility policies are intended to promote a global culture of social responsibility within the Group, which will help improve the well-being of people, promote the economic and social development of the communities in which it has a presence, and create sustainable value for shareholders and investors, employees, customers, suppliers, and other stakeholders of the Company.

Pursuant to the provisions of its By-Laws, 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.

Along these lines, the Company believes that its relations with those groups that may influence or that are affected by the decisions or the value of the Company and the Group are significant.

There are many such groups within the value chain comprised of the Group businesses. For purposes of this Stakeholder Relations Policy, these groups are grouped into the following categories (the “Stakeholders”):

a) Workforce
b) Shareholders and the financial community
c) Regulatory entities
d) Customers
e) Suppliers
f) The media
g) Society at large
h) The environment

This Stakeholder Relations Policy will generally govern the relations of the Company with the groups described above. The foregoing shall be deemed to be without prejudice to the approval by the Board of Directors of other Corporate Policies directed towards specific Stakeholders such as, for instance, those approved in connection with shareholders, employees, or the environment, which set forth the general principles that are to govern the Company’s activities in each specific area.

Given the large number of groups or interests that may be deemed to be included in each of the Stakeholder categories identified above, and in order to manage them properly, the Company may identify subcategories to promote specific aspects of such relations that are focused on the expectations of more specific organisations or groups.

1. Purpose

The Board of Directors has approved this Stakeholder Relations Policy in order to foster a framework of relations based on the principles of transparency, active listening, and equal treatment that favours the inclusion of Stakeholders in the business and activities of the Group by means of an effective coordination instrument that makes it possible to forge relations based on trust on an ongoing basis.
2. Basic Principles of Stakeholder Relations

In its relations with stakeholders, the Group accepts and promotes the following basic principles:

a) Development of a responsible business model in order to be an innovative, transparent, integrating, open, and committed company, capable of creating sustainable value for all its Stakeholders on a shared basis therewith.

b) Maintenance of a strategy of strong involvement in the communities in which it operates.

c) Allocation of the necessary resources to the proactive, continued, and systematic establishment of fluid channels for dialogue with Stakeholders, in order to establish balanced relationships between corporate values and social expectations, taking into account their interests, concerns, and needs.

d) Having a dynamic organisational structure that allows for the promotion and coordination of responsible actions with Stakeholders, and using various instruments to favour communication and dialogue therewith, within a constant process of adaptation to their needs, expectations, and interests: direct contact, the Company’s corporate website, the websites maintained by the different companies of the Group, and the Group’s proactive presence on social media, with a particular impact on social and environmental issues.

e) The Group’s commitment in connection with business ethics and corporate social responsibility and, in particular, the principles of business honesty and transparency as drivers of credibility and mutual trust, are the foundations on which the Group builds its relations with Stakeholders.

f) In decision-making processes that may have potential impacts on the local population, the Group is aware of and takes into account the viewpoints and expectations of affected communities through processes of consultation, which vary depending on the country and business in question, according to applicable law, and which may be supplemented by other processes carried out voluntarily, when it is so deemed appropriate.

g) The Company is responsible for designing, approving, and overseeing the Stakeholder relations strategy.

h) As a general rule, the Group companies establish relations with their Stakeholders in accordance with the principle of subsidiarity, such that the Group company that is closest to the Stakeholder is primarily responsible for interaction in each case.

i) The Group disseminates significant and reliable information on its performance and activities and annually prepares and publishes financial and non-financial information on its activities, following a generally accepted method in the case of non-financial information, and subjecting such information to independent external verification, if appropriate.

j) The corporate websites of the companies of the Group, their presence on social media, and the Group’s digital communication strategy generally are channels of communication serving this Stakeholder Relations Policy, which should be defined by its proximity and usefulness. Its ultimate goal is to encourage the engagement of all of the Company’s stakeholders, reinforce their sense of belonging, strengthen the IBERDROLA brand, favour the development of the businesses of the Group, have an impact on its social side, and progress with the digital transformation of the Company.

3. Channels for Dialogue of the Company with Stakeholders

The Company establishes channels for dialogue with its Stakeholders to respond to their needs and expectations. These channels are continuously evolving to adjust to the needs of each moment and the various forms and uses commonly used within each of the channels of communication, based on the suitability thereof and with an attempt to maximise the effectiveness thereof.

Apart from the corporate website, which is one of the main channels for the Company’s relations with its Stakeholders, it also has other means of dialogue, including:

a) Workforce: mixed subcommittees or committees with employees, surveys, suggestion boxes, and the Employee Global Office.

The Group also publishes in-house magazines and uses the intranet as a channel of communication with the workforce.

b) Shareholders and the financial community: personal contact with fixed income and equity investors, the Office of the Shareholder, the Shareholder’s Club, periodic informational brochures, the Shareholders’ Ethics Mailbox, and a specific channel for communication with shareholders on the corporate website.
c) Regulatory entities: consultations and periodic meetings with regulatory entities, both through direct contact and through industry organisations.

d) Customers: the company has established both face-to-face and remote channels for direct relations with customers, a complaints and claims system, and customer satisfaction surveys, and also promotes other channels for relations with consumer associations and institutions.

e) Suppliers: the Suppliers’ Ethics Mailbox, the supplier portal on the corporate website, the Supplier Service Centre, and supplier satisfaction surveys; while also maintaining processes for supplier registration and classification, meetings with suppliers, and an exclusive mailbox for them.

f) The media: press releases, individual and group meetings, a mailbox for questions on the corporate website, channels of communication on social networks, and a specific multimedia channel on the corporate website.

g) Society at large: participation in trade associations and chambers of commerce, relations with social organisations of various kinds in the communities in which the Group is present, and direct relations with the various Government Authorities of the countries in which the Group operates.

h) The environment: existence of a specific mailbox on the corporate website and participation in social networks with environmental information, together with environmental impact assessments in the implementation of new facilities.

4. Significant Matters

The Company has equipped itself with appropriate tools for the identification of those issues within its business activity that are considered to be significant at the global level, among which the following are noteworthy:

a) In connection with the workforce: improvements in training, in health and safety conditions, and in working conditions generally.

b) In connection with the shareholders and the financial community: the financial and economic situation of the Company, shareholder remuneration, and participation in Shareholder Day and at the General Shareholders’ Meeting.

c) In connection with regulatory authorities: safety in supply, the financial aspects of supply (prices and competitiveness), and environmental sustainability.

d) In connection with the media: matters related to electricity regulation in the countries in which the Group operates, to the Group’s strategy and positioning, and to consumption and the Company’s social responsibility strategy.

e) In connection with society at large: matters related to innovation; cooperation with university and research centres; contribution to the community and expansion of energy supply, as well as regulatory issues and responsible tax conduct.

f) In connection with the environment: climate change, biodiversity, energy efficiency, and water management.

The identification and assessment of the significance of the matters to be taken into account entails a dynamic process and is subject to appropriate evaluation in each of the activities and businesses of the Company, such that they may provide a starting point for the design of suitable responses to be provided during the course of the Group’s day-to-day management.

5. Other Processes and/or Instruments for Stakeholder Relations Management

The Board of Directors of the Company and the chairman & chief executive officer thereof are responsible for the design, approval, and supervision of the Stakeholder relations strategy and of the general guidelines that the Group must follow in this regard, without prejudice to the powers of further development and implementation vested in the boards of directors of the country subholding companies and head of business companies within their respective purview.

This strategy is based on information-gathering, surveying, engagement, and collaboration with the Stakeholders. The Corporate Social Responsibility Committee, the Corporate Committee on Corporate Social Responsibility and Reputation, and the Corporate Social Responsibility and Reputation Committees at each of the country subholding companies are ultimately responsible for supervising and coordinating the development of the strategy for relations between the Group companies and the Stakeholders.

The Company has the following processes and/or instruments supplementing the channels for dialogue established for relations with its Stakeholders:

a) Process for identifying and selecting significant Stakeholders: the Company uses the Corporate Committee on Corporate Social Responsibility and Reputation referred to in the General Corporate Social Responsibility Policy to
systematically evaluate both the categories and subcategories of Stakeholders identified as significant for management thereof within the Group and existing relation processes, communication channels, and the results obtained; it adopts through said body such improvements as may be deemed appropriate and reports on the results of such analysis in the Sustainability Reports and in the Integrated Reports, which are published together with the other annual reports.

b) Adoption of rules or standards: given the importance of Stakeholder relations in the Group’s social responsibility and in external perception by the social environment, internationally recognised rules or standards on the matter, of interest to the Company, are examined and adopted.

c) Preparation of action plans: in order to improve the Company’s relations with its Stakeholders and to respond to their concerns, action plans are established as part of multi-annual corporate social responsibility plans, which take into account the specific characteristics of such Stakeholders and the geographic area in which they operate.

d) Participation of Stakeholders in the planning and development of the Group’s energy projects: within the framework of the principles set forth in this Stakeholder Relations Policy, the Company endeavours to take into account the viewpoints of affected communities in the planning and development of its energy projects.

This Stakeholder Relations Policy was initially approved by the Board of Directors on 17 February 2015, and was last amended on 23 February 2016.
3.

Innovation Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) directs innovation in the Company and the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), towards an ever more efficient management of available resources and knowledge, while ensuring that the best technologies are efficiently introduced, providing competitive advantages for the Group as well as benefits for the shareholders, customers, employees, and other stakeholders of the Company.

1. Purpose

Innovation is a strategic variable that affects all the businesses of the Group and all the activities it carries out. This Innovation Policy further develops the provisions of the Group’s values relating to innovation and seeks to define and disseminate the strategy allowing the Company and its Group to become leaders in innovation in the energy industry, with their activities in this field pivoting around sustainable development, development of renewable energy, and emerging technology, always complying strictly with applicable law and with other commitments of the Group. The Company sees innovation as an open and decentralised process. It is decentralised because it is carried out independently in each business unit, with the support of and coordinated by the Company’s Innovation, Environment, and Quality Division, which is subordinate to the Chairman’s Office. It is open because the Company considers itself to be a technology driver and, as such, its vocation is to involve technology suppliers of the Group, such as universities, technology centres, and equipment manufacturers, in its innovation process.

In addition, the Company believes that the innovation process must be consistent among all business units, and, to that end, the Innovation, Environment, and Quality Division is responsible for the implementation thereof.

2. Main Principles of Conduct

The Innovation Policy is based on the following principles of conduct:

a) Promote research, development and innovation (RD&I) activities, focusing on efficiency aimed at the ongoing optimisation of the Group’s business operations, management of facilities and equipment lifespans, reduction of operation and maintenance costs, and decrease in environmental impact, as well as the development of new products and services to satisfy the needs of the customers.

b) Place the Group at the forefront of new technologies and disruptive business models, by practising a “culture of innovation” that pervades the entire organisation and creates motivating work environments that favour and reward the generation of ideas and innovative practices by professionals, accepting risk and recognising creative contributions.

c) Create innovations fostering sustainable growth and the efficient management of resources and contributing to the social and economic development of the surroundings in which the Group does business.

d) Engage in projects in the area of universalisation of energy services based on models that are environmentally sustainable, economically feasible, and socially inclusive.

e) Incorporate innovation into all training within the companies of the Group by means of courses and specific programmes to develop skills relating to creativity.

f) Implement an innovation management system that includes the establishment of annual targets and goals as part of an ongoing improvement process, managing the Company’s human and intellectual capital as an effective support for the entire creative and innovative process.

g) Promote a system of technological monitoring and prospecting to identify opportunities and challenges for the businesses of the Group and detect the need for innovation in processes or services to allow it to act in advance of technological changes in the market.
h) Foster cooperation and alliances with the academic world and with other interested parties, by means of links that make it possible to multiply the innovative capacity of the Group.

i) Circulate internally the knowledge gained, so that all professionals are familiar with the best practices applicable to their activity in the search for efficiency and effectiveness in the processes of the Group.

j) Protect the results of the innovation process, managing intellectual and industrial property suitably and ethically, which shall in every case entail respect for the intellectual and industrial property of third parties.

k) Support innovations that provide added value for users and boost the satisfaction of shareholders, customers, employees, and other stakeholders.

3. Innovation Strategy of the Listed Country Subholding Companies of the Group

The provisions of this Innovation Policy shall in any case be deemed to be without prejudice to the strengthened autonomy enjoyed by the listed country subholding companies of the Group to determine their own innovation strategy, which must be consistent with the policy established for the rest of the Group and with the provisions of this Innovation Policy.

This Innovation Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 23 February 2016.
Policy on Respect for Human Rights

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with the power to design, evaluate, and review the Company’s Corporate Governance System on an ongoing basis and to approve the Corporate Policies, which further develop the principles adopted by such body of rules and regulations and which establish the guidelines that govern the activities of the Company and of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), as well as the conduct of its directors, officers, and employees.

Among the Corporate Policies, the corporate social responsibility policies are designed to favour a culture of social responsibility within the Group, on a global scale. Respect for human rights is one of the main pillars on which such culture rests.

1. Purpose

The purpose of this Policy on Respect for Human Rights is to formalise the Group’s commitment to the human and labour rights recognised in domestic and international legislation and to the principles underpinning the United Nations Global Compact, the Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework, the OECD Guidelines for Multinational Enterprises, the International Labour Organization’s Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, as well as such documents or texts as may replace or supplement those mentioned above.

2. Main Principles of Conduct

In order to achieve the objectives set forth above, the Group upholds and undertakes to promote the following main principles, which must inform its activities in all areas:

a) To demand from all Group professionals and suppliers strict respect for the human and labour rights recognised in domestic and international legislation in the conduct of their activities, as well as compliance with international standards in those countries in which human rights legislation has not reached an adequate level of development.

b) To reject child labour and forced or compulsory labour, and to respect freedom of association and collective bargaining as well as non-discrimination and the rights of ethnic minorities and of indigenous peoples in the places in which it carries out its activities.

c) To promote the implementation of due diligence procedures in order to identify the situations and activities that pose the highest risk of violation of human rights (particularly in the areas mentioned in the preceding principle) and to develop mechanisms for prevention and mitigation of such risk in its activities and in those conducted by its suppliers.

d) To require its suppliers to abide by the Suppliers’ Code of Ethics, pursuant to which they have the duty to promote activities and adopt such measures as may be needed in their organisation in order to eliminate all forms or types of forced or compulsory labour, to expressly reject the use of child labour in their organisation, to respect their workers’ freedom of trade association and right to collective bargaining, to reject all discriminatory practices in connection with employment and labour, affording their employees fair treatment based on dignity and respect, and to pay their workers as provided by applicable wage laws, including minimum wages, overtime, and social security benefits.
e) To regularly verify the application of the procedures for identification of risk situations and activities and of the mechanisms for prevention and mitigation of the risk of violation of human rights, using monitoring indicators and focusing its analysis particularly on the main locations of operations in which there might be a risk of violation of such rights, taking as a reference the reports and recommendations issued by reputed international organisations.

f) To report on the results of such verification activities in its annual public information, available on its corporate website.

g) To adopt such measures as may be applicable in the event of detecting any violation of human rights at its facilities or at those of its suppliers, as provided in the Code of Ethics or in the Suppliers’ Code of Ethics, and to report thereon to the competent government authorities in order for them to take any appropriate action when such violation may amount to an administrative or criminal offence.

h) To have in place reporting and grievance mechanisms, equipped with adequate guarantees and settlement procedures, in order to respond to any events of violation of human rights that may be reported by persons or organisations from outside the Group.

i) To advance a culture of respect for human rights and promote awareness-raising in this field among its professionals at all companies within the Group, and especially at those where there may be a higher risk of violation of such rights.

3. Implementation and Update

The Company shall draw on specialised external advice in order to conform the Group’s operating procedures to the principles set forth in this Policy on Respect for Human Rights and to prepare any future updates of the text hereof.

This Policy on Respect for Human Rights was approved by the Board of Directors on 17 February 2015.
5. Quality Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”), a leader in the energy sector, believes that outstanding management of all processes and resources is an indispensable tool in the creation of value for people: shareholders, customers, employees, and the other stakeholders of the Company.

1. Purpose

The value-creation model of the Company and the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), is supported by growth that is sustainable, equitable, profitable, and committed to strict compliance with current legislation and with other commitments and requirements undertaken voluntarily.

The Quality Policy seeks to contribute to the Groups’ sustainable growth model within the context of the culture of excellence and quality management procedures.

The Company supports and coordinates compliance with this Quality Policy by all the companies of the Group through the Innovation, Environment, and Quality Division, which is subordinate to the Chairman’s Office.

2. Main Lines of Action

To achieve these goals, the Group accepts and promotes the following basic principles that must guide all of its quality activities:

a) Know the expectations of customers of the Group, both internal and external, and those of other stakeholders, in order to deliver products and services to their full satisfaction.

b) Promote activities to satisfy or even exceed the expectations of the customers of the Group, its employees, and other stakeholders.

c) Enhance the culture of continuous improvement and excellence in management in order to increase competitiveness and the creation of value for shareholders, employees, and other stakeholders.

d) Encourage the use of quality management systems within the various organisations of the Group.

e) Foster the involvement of the Group’s employees by means of teamwork, an appropriate flow of information, internal communication, training, and recognition of achievements.

This Quality Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 20 October 2015.
Corporate Security Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”), being aware that security, in all its forms, is a fundamental need for persons without which they cannot fully carry out their activities, has approved this Corporate Security Policy.

1. Purpose

The Corporate Security Policy seeks to ensure the effective protection of persons, assets, and intellectual capital of both the Company and the other companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), while at the same time ensuring that security-related actions fully conform to the law and scrupulously respect human rights.

2. Main Lines of Action

For purposes of achieving the aforementioned goals, the Group assumes and promotes the following basic principles, which must inform all its activities in the area of corporate security:

a) Comply with applicable security law in the countries in which it operates, fully respecting human rights.

b) Design a preferably preventative security strategy that aims at minimising physical and logical security risks, and allocating the resources necessary for its implementation.

c) Guarantee the protection of professionals, assets, knowledge, and other Group information, as well as the normal performance of its activities.

d) Develop specific defence plans that guarantee the appropriate protection of the Company’s intellectual capital, especially with regard to cybersecurity and to the fight against industrial espionage, acting on a coordinated basis with the Systems Division in accordance with the provisions of the Cybersecurity Risk Policy.

e) Establish controls over the Company’s inflows and outflows of information to prevent the leak or theft of sensitive information, whether accidentally or intentionally.

f) Identify critical points relating to the security of the Group, define actions for prevention and ongoing improvement, and be aware of the security situation within the Group.

g) Avoid the use of force in the exercise of security, using it solely and exclusively when strictly necessary and always in accordance with the law and in a manner proportional to the threat faced, to protect life.

h) Ensure and reinforce the proper qualification of all security personnel, both internal and external, establishing rigorous training programmes and defining hiring requirements and standards that take these principles into account.

i) Specifically, train all security personnel in the area of human rights, or ensure that such personnel have received proper training in this area.

j) Evaluate from time to time the providers of security during the term of their contract, with the aim of identifying points for improvement.

k) Contribute to the creation of a culture of security within the Group by means of communication and training activities in this area.

l) Collaborate and not interfere with public security authorities in the discharge of their legitimate duties, all without prejudice to the aforementioned principles.

This Corporate Security Policy was initially approved by the Board of Directors on 23 September 2013 and last amended on 28 April 2015.
Human Resources Framework Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) considers its employees to be a strategic asset. Pursuant to the provisions of the Mission, Vision, and Values of the Iberdrola group, the employees of all companies belonging to the group of which the Company is the controlling entity, with the meaning established by law (the “Group”), must care for their employees and offer them a good working environment, encouraging their development, training, and reconciliation measures, and favouring equality of opportunity.

1. Purpose

The purpose of this Human Resources Framework Policy is to define, design, and disseminate a human resources management model of the Group that will allow it to obtain, promote, and retain talent and encourage the personal and professional growth of all people belonging to the Group’s workforce, making them participants in the successful business enterprise and guaranteeing them a dignified and safe job.

The Human Resources Framework Policy is further developed by the following corporate social responsibility policies: the Recruitment and Selection Policy, the Knowledge Management Policy, the Equal Opportunity and Reconciliation Policy and the Occupational Safety and Health Policy, as well as by the Senior Officer Remuneration Policy, which is one of the Corporate Governance and Regulatory Compliance Policies.

In a world in which traditional production assets are ever more accessible, human capital fundamentally determines the difference between competitive companies and those that are not, and between those that sustainably create value and those that gradually lose their capacity to generate wealth. The design and implementation of frameworks for the management of human resources and labour relations that allows all employees to share in the Group’s success and furthers the objectives of competitiveness and corporate efficiency are believed to be key principles for the conservation of human capital.

The Human Resources Framework Policy must establish the guidelines that govern labour relations at the different companies of the Group and serve as a benchmark to define the objectives of the Company and the Group in human resources management as regards: the selection of its professionals, the assurances and stability of quality employment, the creation of a stable relationship with employees, occupational safety and health, and the training and development of the professionals of the Group.

Human resources management must be informed by respect for diversity, equality of opportunity, and non-discrimination, as well as alignment of the interests of professionals with the Group’s strategic objectives.

2. Main Principles of Conduct

In order to achieve the aforementioned objectives, the Group accepts and promotes the following principles that must inform the management of its human capital:

a) An appropriate framework of labour relations and of agreed mechanisms to bring the organisation into line with corporate and social requirements, promoting the objectives of competitiveness and business efficiency.

b) The development of consistent human resources processes that progress in the implementation of the culture of the Company in all countries in which the Group does business, respecting local particularities and the special framework of strengthened autonomy of the listed country subholding companies.

c) The definition as a strategic objective of the conduct of labour relations based on equality of opportunity, particularly between men and women, non-discrimination, and respect for diversity. Measures must also be promoted to achieve a favourable environment that facilitates reconciliation of personal and working life, complying with the law applicable in each country and following best international practices.

d) The consolidation of stable and quality jobs.
e) A remuneration system that allows for the attraction and retention of the best professionals and the objectives of which are aligned with those of the Group.

f) Appreciation of the contribution of all professionals to the Group’s creation of value and to its growth.

g) Recognise and value family and personal connections among the professionals of the Group, a necessary consequence of the Group’s strong local roots within the communities in which it has historically done business, and establish specific measures ensuring that employees with such connection are not favoured or discriminated against in hiring and promotion processes, nor is there any violation of the principle of equal opportunity.

h) Design of a value offering that favours the selection, hiring, and retention of talent, consisting of a competitive remuneration, a working environment based on equality of opportunity, the business enterprise, the balance of personal and professional life, and reconciliation.

i) The process of selecting, hiring, and promoting professionals of the companies of the Group shall ensure that all of its professionals are persons who are respectable and appropriate, aligned with the provisions of the Mission, Vision, and Values of the Iberdrola Group and with the principles contained in the Code of Ethics, assessing their history and rejecting those who lack the required appropriateness due to the background thereof.

3. Instruments

The Company and the Group have the following instruments to achieve these objectives:

- Human resources policy: this Human Resources Policy, the Recruitment and Selection Policy, the Equal Opportunity and Reconciliation Policy, the Occupational Safety and Health Policy, the Knowledge Management Policy, and the Senior Officer Remuneration Policy.

- The Company’s Human Resources Division, the main objective of which is to give consistency to the guidelines for the management of the Group’s human resources, bearing in mind the different social and labour circumstances of the territories in which it operates, and the human resources divisions at the various companies of the Group, which are responsible for implementing and monitoring human resources policies and strategies.

- Collective bargaining agreements or specific equivalent agreements to govern aspects relating to human resources management, as well as the established specific monitoring mechanisms.

- Channels for dialogue and communication with employees: mixed subcommittees or committees with employees, labour climate surveys, meetings with the chairman and senior officers, specific meetings, the corporate website, and the Group’s various intranets.

- International mobility programmes that favour the exchange of experiences and knowledge, professional development, the firm establishment of a Group culture, and retention of employees, in line with the Group’s Business model.

- Training programmes that foster the improvement and preservation of intellectual capital and the promotion of employees within the Group.

- Occupational risk prevention programmes and processes and a global occupational safety and health system based on defined standards applicable to all companies of the Group.

4. Main Principles of Conduct in connection with the Selection and Hiring of Professionals

As further developed in the Recruitment and Selection Policy, the main principles of conduct in connection with selection and hiring are:

- Develop a programme for standardising the recruitment procedures within the Group.

- Encourage the access of young people to their first job through scholarship programmes and other agreements.

- Provide candidates with a competitive offer that favours the recruitment and hiring of the best professionals.

- The Group’s offer must be based upon competitive remuneration, a work environment based on equal opportunity, business enterprise, a balance between personal and professional life, and reconciliation thereof.

- The Group will promote the hiring of its professionals using stable and permanent contracts.

- Standardise working conditions and the benefits received by part-time and full-time employees.

- Endeavour to ensure that selection and hiring processes are objective and impartial, avoiding the participation of the employees with which they are connected in the process of selecting family members of Group professionals or persons with another similar personal connection.

- Favour the hiring of employees from excluded groups and of persons with different skills.
5. Main Principles of Conduct in connection with Talent Management and Training

Talent management is the key aspect to improve the Company’s position vis-à-vis its competitors, and its aim must be the definition of a framework to develop a global quality management system, affecting all professionals of the Group. The basic aspect of global talent management within the Group is training. The main principles of conduct thereof are:

a) Establishment of a conceptual framework that includes all training actions designed to promote the qualification of the workforce, aligning it with a multicultural work environment, permeable to cultural changes, expanding the principles set out in the Mission, Vision, and Values of the Iberdrola group, creating value for the Group, and promoting the sustainable development of the businesses of the Company.

b) Implementation of training programmes and plans that support advanced professional training for the performance of the job, adjustment of human resources to technological and organisational changes, adjustment of new employees to the requirements of the Group, and greater capacity for professional development.

c) Make training a key element of professional qualifications, and one that provides opportunities for promotion within the Group.

d) Ensure that training programmes include aspects relating to respect for human rights and foster a culture of ethical conduct.

e) Dissemination and sharing of the knowledge existing within the Group, ongoing learning, and cultural exchange, so as to boost operational efficiency through the appropriate use of intellectual capital, in accordance with the provisions of the Knowledge Management Policy.

6. Evaluations of Performance and Development

Employee evaluations and communication of the results thereof to those evaluated is an essential aspect of their professional training. The main principles of conduct are:

a) Perform periodic evaluations of the performance of the employees of the Group.

b) Communicate the results thereof to the employees evaluated so as to favour their professional development.

c) In the process of salary evaluation or review, avoid direct participation by professionals who are family members or who have a similar personal connection with the affected employees.

7. Remuneration System

The Group considers it a priority for the remuneration system to favour the strengthening of its human capital, as the main factor differentiating it from its competitors. The principles of conduct informing the Group’s remuneration system are:

a) Favour the attraction, hiring, and retention of the best professionals.

b) Maintain consistency between with the Group’s strategic positioning and its development, its international and multicultural reality, and its objective of excellence.

c) Recognise and reward the dedication, responsibility, and performance of all its professionals.

d) Adjust to the various local circumstances in which the different companies of the Group operate.

e) Be at the forefront of the market, consistently with the position achieved by the Company and its Group.

8. Diversity, Equal Opportunity, and Reconciliation

The Equal Opportunity and Reconciliation Policy develops the Group’s objectives and principles on the matter, which may be summarised in the following principles of conduct:

a) Respect diversity, promoting non-discrimination on account of race, colour, age, gender, marital status, ideology, political opinion, nationality, religion, sexual orientation, or any other personal, physical, or social condition of its professionals.

b) Develop the principle of equal opportunity, observance of which is one of the basic pillars of professional development, and entails the commitment to provide and show equitable treatment that promotes the personal and professional progress of the workforce, keeping employees with family similar personal connections from holding posts directly reporting –either hierarchically or functionally– to the professionals with which they are connected.

c) Promote effective equality between women and men as regards access to employment, professional training and promotion and working conditions, fostering gender diversity as a manifestation of social and cultural reality.
d) Honour commitments to external institutions, making an effort to honour the commitments assumed in order to obtain and maintain all certifications and awards granted in connection with reconciliation and equality.
e) Implement reconciliation measures that promote respect for the personal and family life of its professionals and facilitate the achievement of an optimal balance between the latter and the work responsibilities of women and men.

9. Global Occupational Safety and Health System

The Occupational Safety and Health Policy is intended to achieve a safe and healthy work environment and reflects the main principles of conduct for Group companies in this area. Pursuant to the provisions of said Occupational Safety and Health Policy, the Group has a Global Occupational Safety and Health System based on standards that determine the minimum levels applicable to all the companies. This global system contemplates:

1. The integration of occupational safety and health standards in all stages of the production process, in all work methods, and in all decisions, such that officers, technicians, managers, and employees assume their responsibilities in the matter.
2. The identification, assessment, and effective control of work-related risks.
3. Adjustment of employees to their jobs through health monitoring and training of employees.
4. A mechanism for evaluating occupational safety and health matters in accordance with standards established for the entire Group to identify potential deviations, exchange best practices, and establish a global culture of excellence in risk prevention.

The operation of the Global Occupational Safety and Health System is developed in the Global Safety and Health System Manual and in certain global procedures applicable to the entire Group. In turn, each of the country subholding companies and head of business companies has their own specific manuals and procedures applicable to each of their respective countries and businesses, which reproduce or strengthen the global standards of the Group on safety and health, while heeding the regulatory particularities arising from applicable law and those corresponding to the activities carried out by each business.

10. Work Ethics

The Board of Directors has approved a Code of Ethics that sets forth the principles of conduct required of the various companies of the Group and of all their employees and officers, regardless of their job category, their geographic or functional location, or the company of the Group at which they work. The Compliance Unit is the body created by the Company’s Board of Directors to disseminate, interpret, and inform the appropriate bodies of the degree of compliance with the Code of Ethics. The compliance divisions of each country subholding or head of business company shall apply the Code of Ethics in their respective areas of conduct.

11. Corporate Volunteering

The companies of the Group shall develop corporate volunteering programmes that promote the participation of the professionals of the Group in volunteer actions to put into practice the provisions of the Mission, Vision, and Values of the Iberdrola group as regards improving the quality of life of people, looking after the environment, and sustainable development, as well as universal access to energy, including collection campaigns that seek to respond to social needs. These programmes are intended to:
a) Contribute to social well-being and community service.
b) Strengthen a sense of belonging to the Group and improve the labour climate.
c) Contribute to the ethical training of employees, channelling their spirit of community service to the benefit of the communities in which the Group is present.
d) Promote the values of participation, commitment, responsibility, and teamwork.

This Human Resources Framework Policy was initially approved by the Board of Directors on 17 February 2015 and was last amended on 21 June 2016.
8.

**Knowledge Management Policy**

The Board of Directors of IBERDROLA, S.A. (the “Company”), aware that intellectual capital is the basic foundation for the creation and protection of the Company’s value, has established as a strategic objective the need to implement an appropriate Knowledge Management Policy that fosters initiatives, procedures, and tools that allow the Company to truly and effectively exploit such intellectual capital.

1. **Purpose**

   The goal of this Knowledge Management Policy is dissemination and sharing of the Company’s existing knowledge, continuous learning, and cultural exchange, so as to enhance operational efficiency through the proper use of intellectual capital, always furthering the interests of the Company and of the companies belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”), and without prejudice to specific policies that may be established at particular companies of the Group.

   In a world where traditional production assets are ever more readily accessible, it is intellectual capital that distinguishes competitive companies from non-competitive ones, and companies that create value in a sustainable manner from companies that gradually lose their ability to generate wealth.

   The intellectual capital of the Company depends to a large extent on all of its people, but also depends on its operational and organisational structures and on internal and external relations with all stakeholders. Organisational and personal training must therefore be permanent and ongoing, and must be in line with the strategy of the Group.

   The markedly strategic character of the Company’s knowledge management requires constant work in order to improve initiatives and the application thereof at all of the Company’s business units.

2. **Main Principles of Conduct**

   To achieve these goals, the Group accepts and promotes the following main principles that must inform all of its knowledge management activities:

   a) Think of the Group as a system made up of connections among people and working groups. The knowledge of each person or group must be identified and accessible to the whole, so as to produce knowledge-based operational leverage.

   b) Recognise the value of the knowledge existing at the Group and promote its development as a key value-creation tool.

   c) Integrate the Group’s tangible and intangible assets to create the objective conditions required to structure an intelligent organisation, with ongoing learning capacity and of innovation.

   d) Align knowledge management with the competences and requirements set out in the Group’s strategy.

   e) Define the required models of management, measurement, processes, and systems by integrating the vision of the various business units, in order to understand and develop mechanisms to ease the flow of knowledge within the existing organisational structure. This allows for the sharing of experiences and ensures that constant attention is given to the operation of the organisation as a whole.

   f) Foster the sharing of the knowledge existing at the Group to the greatest extent possible, putting in place the necessary resources to enable its development, its internal dissemination through training, and the efficient use thereof. This shared intelligence is creative and innovative, and greater than the mere sum of the individual intellectual capabilities involved. Emphasis will be placed on the creation and enhancement of organisational connections (networks), as well as on the cohesion of teams.
g) Evaluate the intellectual capital existing at the Group in a consistent and sustained manner over time, in order to be able to assess the effectiveness of the initiatives implemented under this Knowledge Management Policy, correct defects, and promote new actions.

h) Implement actions for improvement to bring the Group ever closer to excellence in knowledge management.

i) Respect the intellectual and industrial property rights of third parties in the knowledge management of the Group.


The provisions of this Knowledge Management Policy shall in any case be deemed to be without prejudice to the strengthened autonomy enjoyed by the listed country subholding companies of the Group to determine their own knowledge management strategy, which must be consistent with the principles set forth in this Knowledge Management Policy.

This Knowledge Management Policy was initially approved by the Board of Directors on 16 December 2008 and was last amended on 15 December 2015.
9. 21 June 2016

Recruitment and Selection Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) assumes that without the support of a skilled, diverse, and motivated workforce, the Company will not be able to achieve its strategic aims or those of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”).

1. Purpose

Recruiting, selecting, and retaining the best talent in compliance with both applicable law and best professional practices is key for the business success of the Group.

2. Main Principles of Conduct

To achieve these goals, the Group accepts and promotes the following basic principles that must inform all recruiting and hiring activities:

a) Develop a programme for standardising the recruitment procedures of the Company, so that they:
   - Respect equal opportunities and promote non-discrimination by reason of race, colour, age, gender, marital status, ideology, political opinion, nationality, religion, or any other personal, physical, or social condition. This will guarantee the ability of the Company to recruit, motivate, and retain the best talent and uphold the ethics and legal principles expected from a trusted employer, consistent and aligned with the values of its customers, shareholders, employees, and community.
   - Include all professionals who have the required competency profile, without exclusions of any kind that could limit the effectiveness of the selection process.
   - Ensure that selection is carried out exclusively on the basis of merit and capability, guaranteeing that all candidates are treated equally throughout the process. The selection processes shall therefore be designed to avoid any kind of discrimination.
   - Enable the identification and assessment of the ideal candidates according to the knowledge, attitudes, abilities, and competences required for the different job positions.
   - Comply with applicable labour laws in each country regarding recruitment and selection.
   - Guarantee absolute confidentiality to all candidates, in accordance with personal data protection laws and regulations.

b) Encourage the access of young people to their first job through scholarship programmes and other agreements.

c) Provide candidates with a competitive offer that favours the recruitment and hiring of the best professionals.

d) The Group’s offer must be based upon competitive remuneration, a work environment based on equal opportunity, business enterprise, a balance between personal and professional life, and reconciliation thereof.

e) The Group will promote the hiring of its professionals using stable and permanent contracts.

f) Standardise working conditions and the benefits received by part-time and full-time employees.

g) Endeavour to ensure that selection and hiring processes are objective and impartial and do not influence the hiring of family members of Group professionals or persons with a similar connection, avoiding the participation of the professionals with which they are connected in their selection process.

h) Favour the hiring of employees from excluded groups and of persons with different skills.

This Recruitment and Selection Policy was initially approved by the Board of Directors on 11 March 2008 and was last amended on 21 June 2016.
Equal Opportunity and Reconciliation Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) has established the development of employment relationships based on equal opportunity, non-discrimination, and respect for diversity as a strategic objective. In particular, it regards as part of the essential values of the organisation the achievement of equality between women and men within the Company.

For these purposes, and in accordance with the provisions of the Human Resources Framework Policy, the Board of Directors has approved this Equal Opportunity and Reconciliation Policy.

1. Purpose

This Equal Opportunity and Reconciliation Policy seeks to create a favourable environment that facilitates the reconciliation of personal and working life of the professionals of the Company and of the other companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”) and, in particular, effective equality between women and men, all the foregoing in compliance with the applicable law in each country and following best international practices.

2. Main Principles of Conduct

To achieve the fulfilment of these goals, the Group adopts and promotes the following main principles of conduct:

a) Guarantee the quality of employment, fostering the maintenance of stable and high-quality jobs, with occupational contents that guarantee a continuous improvement in the abilities and skills of professionals.

b) Respect diversity, promoting non-discrimination on account of race, colour, age, gender, marital status, ideology, political opinion, nationality, religion, sexual orientation, or any other personal, physical, or social condition of its professionals.

c) Develop the principle of equal opportunity. This principle, the observance of which is one of the basic pillars of professional development, and entails the commitment to provide and show equitable treatment that promotes the personal and professional progress of the Group's workforce in the following fields:

1. Promotion, professional development, and remuneration: value such knowledge and skills as are required to perform a job, through the evaluation of goals and performance.

2. Hiring: not establish any differences in salary based on personal, physical, or social conditions such as gender, race, marital status, or ideology.

3. Recruitment and selection: recruit the best professionals by means of selection based on the merit and abilities of the candidates.

4. Training: ensure the education and training of all professionals in the knowledge and skills required for the proper performance of their work.

5. Support for workers with different abilities, promoting their effective employment.

6. Promotion of transparent communications, encouraging innovation, and providing professionals the independence they need in the performance of their duties.

7. Establishment of measures ensuring that employees with family or similar personal connections are not favoured or discriminated against in internal hiring and promotion processes, keeping them from holding posts directly reporting—either hierarchically or functionally— to the professionals with which they are connected.

d) Promote effective equality between women and men within the Group as regards access to employment, professional training and promotion, and working conditions, fostering gender diversity as a manifestation of social and cultural reality, and in particular, to:
1. Reinforce the commitment of the Group to the effective equality of opportunity between women and men, both within the organisation and in society, and raise awareness on this topic in both spheres.
2. Guarantee women’s professional development within the Group, removing any obstacles that may hamper or limit their professional career.
3. Analyse affirmative action measures in order to correct inequalities that appear and to promote the access of women to positions of responsibility in areas in which they are underrepresented or not present.
4. Strengthen mechanisms and procedures for selection and professional development that facilitate the presence of suitably qualified women in all areas of the organisation in which they are underrepresented, including the implementation of specific training and professional development monitoring programmes for women.
5. Strive to achieve a balanced representation within the various decision-making bodies and levels, guaranteeing that women participate in all consultative and decision-making areas of the Group on the basis of equality of opportunity.
6. Promote the organisation of working conditions with a gender perspective, allowing for the reconciliation of the personal, working, and family life of the women and men employed by the Group, ensuring the elimination of all gender-based discrimination.

e) Implement reconciliation measures that promote respect for the personal and family life of its professionals and facilitate the achievement of an optimal balance between the latter and the work responsibilities of women and men.

f) Promote programmes of collaboration with educational institutions to encourage the presence of women in careers and training programmes relating to the businesses of the Group in which the presence of women is substantially lower than that of men.

g) Collaborate in the fight against gender violence through the establishment of specific programmes that include measures of protection, support, and information, to accompany and protect the victims of gender violence.

h) Eradicate the use of discriminatory language in any kind of internal or external corporate communication.

This Equal Opportunity and Reconciliation Policy was initially approved by the Board of Directors on 16 December 2008 and was last amended on 21 June 2016.
11. Occupational Safety and Health Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with responsibility for formulating the strategy and approving the Corporate Policies of the Company and for organising the internal control systems. It approves this Occupational Safety and Health Policy in the exercise of these responsibilities, aware of the essential importance of all aspects relating to employee health and safety, and in line with the values of the Company and in accordance with the provisions of the Human Resources Framework Policy.

1. Purpose

The purpose of the Occupational Safety and Health Policy is to achieve a safe and healthy work environment both at the Company and at the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), as well as its spheres of influence.

2. Main Principles of Conduct

To achieve this goal, the Group accepts and promotes the following main principles that must inform all of its activities:

a) Respect the basic pillars of the Group’s concept of occupational safety and health:
   1. Quality, productivity, and the profitability of its activities are as important as employee health and safety. All of the foregoing are permanent and basic objectives of the Group.
   2. The safety of employees must always prevail. All accidents must be avoided, and the necessary resources must be allocated for such purpose.
   3. Ongoing improvement in all areas of managing occupational risk prevention is a basic variable for the future of the companies of the Group.

b) Guarantee that all decisions of the Group take into account mandatory compliance with the legal, labour, and technological framework and the internal rules of each company of the Group in the area of occupational risk prevention.

c) Ensure full integration of occupational safety and health principles within the Group’s risk prevention management systems.

d) Develop and implement a global occupational safety and health system for the entire Group based on occupational safety and health standards, which determine the minimum levels, and which ensures harmonisation of the standards applied at all companies of the Group. This global system contemplates:
   1. The integration of occupational safety and health standards in all stages of the production process, in all work methods, and in all decisions, such that officers, technicians, managers, and employees assume their responsibilities in the matter.
   2. The identification, assessment, and effective control of work-related risks.
   3. Adjustment of employees to their jobs through health monitoring and training of employees.
   4. A mechanism for evaluating occupational safety and health in accordance with the standards established for the entire Group to identify potential deviations, exchange best practices, and establish a global culture of excellence in risk prevention.

e) Require that the safety rules established by the Group for contractors be observed and cause them to participate in the preventive culture that has been implemented.

f) Encourage the participation of all employees in the promotion of safety and health, cooperating with the Group to raise safety standards.
g) Promote the Group’s culture of prevention through:
   1. Ongoing training of employees, in order to involve every worker and raise awareness of the impact of their work on the safety of persons, processes, and facilities.
   2. The encouragement of behaviour that respects the safety and health of employees.
   3. The exchange of best practices in the application of defined global occupational safety and health standards, continuously improving them and making them more strict and efficient.

h) Obtain and maintain safety and health certifications in line with the strictest international standards, from the standpoint of ongoing improvement and technological innovation in the overall quality of the production system.

i) Establish close links of cooperation with the various competent government agencies in occupational safety and health matters in order to become a positive benchmark in the field in which the Group undertakes its activities.

This Occupational Safety and Health Policy was initially approved by the Board of Directors on 18 December 2007, and was last amended on 20 October 2015.
Sustainability Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with responsibility for formulating the strategy and approving the Corporate Policies of the Company and for organising the internal control systems. It approves this Sustainability Policy in the exercise of these responsibilities, aware that the sustainable creation of value is one of the pillars of the Mission, Vision, and Values of the Iberdrola group.

1. Purpose

Fulfilment of the corporate interest, as defined in the By-Laws, requires the assumption of corporate social responsibility policies that favour the “sustainable exploitation of its corporate object”. According to this mandate and to the provisions of the Mission, Vision, and Values of the Iberdrola group, the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), which conduct their activities primarily in the energy industry, have changed their business model to make it more sustainable, achieving development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The Group desires to continue leading this transformation, for which purpose it must continue working in order to provide energy products that are increasingly competitive, cause the lowest possible environmental impact, and are capable of assuring its customers of reliable supply. This Sustainability Policy reflects the main principles of conduct regarding sustainability that all companies of the Group must comply with and that are a framework of reference for establishing the goals of sustainable development, as well as certain commitments that affect specific areas of Group activity.

2. Main Principles of Conduct

Based on these considerations, the Group’s commitment to sustainability rests upon the following main principles of conduct:

a) Competitiveness in the energy products supplied, through the achievement of efficiency in energy generation, transmission, and distribution processes such that products can be offered at the best possible price, the use of technologies entailing low operation and maintenance costs, as well as a combination of diversified generation technologies that includes the most competitive energy sources based on weather and market conditions.

b) Safety in the supply of energy products, resorting whenever possible to locally-produced primary energy sources, using renewable energy resources, and ensuring the reliability and availability of generation, transmission, and distribution facilities.

c) Reduction of the environmental impact of all activities carried out by the companies of the Group through lower-emission energy generation, the implementation of biodiversity programmes, operational efficiency - including a sustainable use of natural resources, the prevention of contamination, and the appropriate management of waste generated by the activities carried out. In addition, the Group endeavours to make a rational and sustainable use of water and to manage the risks associated with the scarcity thereof.

d) Creation of value for shareholders, customers, and suppliers, guarding corporate profits as one of the pillars of the future sustainability of the Company and the Group.

e) The impetus of the social dimension of the activities of the Group, beginning with service to the communities in which it does business, bringing energy to the largest number of people possible, promoting universal access to energy supply, paying special attention to customers who are economically disadvantaged or in any other situation of vulnerability, establishing specific procedures of protection and collaborating in providing ongoing access to energy and gas supply according to the policies established by the competent government administrations in each case. All of the foregoing is carried out with full respect for human rights in the regions in which the Group does business.
3. Sustainable Management

In further development of the principle regarding safety in the supply of energy products, the Group works to maintain high-quality service in order to ensure the availability of energy, as well as to have in place both a robust transmission and distribution network ready to withstand extraordinary events and the means required to restore service within the shortest possible period.

The Group also fosters a responsible use of energy by supporting energy saving and efficiency measures.

In further development of the principle regarding reduction of environmental impact, the Group particularly strives to make a rational and sustainable use of water and to manage the risks relating to the scarcity thereof.

In further development of the principle regarding the creation of value, the best corporate governance systems available are in operation, including codes of conduct and compliance and risk management codes, designed to guarantee transparency in the provision of information and to preserve the creation of shareholder value.

Moreover, the Group works on achieving excellent management of its relations with customers, offering them energy products tailored to their needs and capturing the opportunities provided by the market.

Finally, the Group does business in close cooperation with the large value chain, responsibly performing its role as a powerful business driver within the energy industry.

In further development of the principle promoting the social dimension of its activities, the Group is engaged in responsible, excellent management of human resources and encourages the formation of teams with a sense of commitment through recognition of the work performed, training in line with the skills of its employees, and the promotion of gender equality in all of its activities.

In addition, the Group contributes to sustainable development through public awareness campaigns for the efficient consumption of its products and services.

Furthermore, the Group assumes a commitment to leadership in the area of sustainable event management, encouraging the contribution of all participants in its value chain.

For this purpose, all activities, products, and services relating to the events organised by the companies of the Group—including their entire management cycle—must be in accordance with the main principles of conduct set forth in the Mission, Vision, and Values of the Iberdrola group and in this Sustainability Policy. In particular, the events of the Group must scrupulously comply with all applicable requirements in each case (especially including laws on safety and health, noise, waste, privacy, and personal data protection), promoting accessibility, inclusion, and non-discrimination in the planning and execution thereof.

To ensure compliance with said goals, the Company has established an Iberdrola Group Events Manual providing the guidelines that must govern all events of the Group.

In addition, in order to achieve the coordinated and sustainable management thereof, each of the corporate and business divisions of the Group shall be responsible for planning the events to be carried out within their respective areas of activity and to report any corporate event to the Corporate Image and Events Division, which, if appropriate, may make specific recommendations relating to the organisation thereof in order to optimise their impact on stakeholders and to rationalise the use of the Group’s resources.

After the conclusion of the event, the responsible division must report to the Corporate Image and Events Division regarding the event in accordance with the parameters specified in the Iberdrola Group Events Manual, identifying and evaluating the significance of the economic, social, and environmental impacts thereof.

In addition, Group companies shall establish sustainable management systems for events whose importance and complexity so require, in which they shall obtain the engagement of all interested parties and shall take into consideration their needs and expectations.

Finally, the companies of the Group, with the collaboration of their suppliers and the other participants in the value chain, shall obtain continuous improvement of the sustainable event management systems and the performance of each of the events organised, promoting their transparency through the establishment of procedures for communication with interested parties.

This Sustainability Policy was initially approved by the Board of Directors on 17 December 2013 and was last amended on 26 April 2016.
Environmental Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with responsibility for formulating the strategy and approving the Corporate Policies of the Company and for organising the internal control systems. Pursuant to the Mission, Vision, and Values of the Iberdrola group, the Company’s leadership in the development of clean energy and respect for the environment are the pillars of its energy production model and the factor that distinguishes it in its industry as one of the leading companies worldwide. In the exercise of these responsibilities and in order to further develop the Company’s corporate philosophy, the Board of Directors approves this Environmental Policy.

1. Purpose

The Environmental Policy is intended to extend to all stakeholders related to the Company and to the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), its devotion to leadership in the development of clean energy and respect for the environment.

In this regard, the Company’s Board of Directors believes the environment to be a central element of the concept of sustainability, and particularly one of the three pillars for reaching a sustainable energy model, together with competitiveness and the safety of supply.

The Company, aware of its potential to contribute to the preservation and protection of the environment, has voluntarily assumed the responsibility to lead the fight against climate change and to preserve biodiversity, in accordance with the provisions of the Policy against Climate Change and the Biodiversity Policy, respectively.

The Company also conceives of respect for the environment as one of the corporate values that determines its entire business strategy, as it is key to the configuration of a sustainable energy model, which in the environmental dimension translates into lower emissions and greater efficiency and the production and use of energy, as well as in complying with environmental laws and regulations and the best international practices in this area.

Given all of the above, through a policy of transparent information and a strategy of constant dialogue, the Company responds to the expectations of its stakeholders with respect to the preservation of the environment, ever more stringent regulatory requirements, and constant scrutiny of management by analysts, assessors, and various agents of civil society, in line with the Sustainable Development Goals (2015-2030) recently approved by the United Nations.

2. Scope of Application

This Environmental Policy applies to all companies of the Group, as well as to all investees not belonging to the Group over which the Company has effective control, within the lawfully established limits.

At those companies in which the Company has an interest and to which this policy does not apply, the Company will promote, through its representatives on the boards of directors of such companies, the alignment of their own policies with those of the Company.

This Environmental Policy shall also apply, to the extent relevant, to the contractors acting in the name of the Company, as well as to the joint ventures, temporary joint ventures (uniones temporales de empresas), and other equivalent associations, if the Company assumes the management thereof.

3. Decentralised Environmental Organisation

The management bodies of the various companies making up the Group are responsible for the determination and implementation of the Environmental Policy within the Iberdrola group, in accordance with the corporate and governance structures and the business model of the Group defined in the Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation.

The Company has for such purposes created an organisation that manages the environment in a decentralised manner.
The Board of Directors and the management team of the Company are thus responsible for establishing and supervising the application, respectively, of environmental strategy and organisation at the Group level.

For its part, the Company’s Innovation, Sustainability, and Quality Division, which reports to the Area of the Office of the Chairman, proposes the management models and systems, specifies the environmental guidelines and the goals associated therewith, coordinating all environmental action of the Group. Without prejudice to the foregoing, the Energy Policies and Climate Change Division, which also reports to the Area of the Office of the Chairman, proposes the guidelines relating to the Company’s Policy against Climate Change.

Finally, applying the principle of subsidiarity, specific matters affecting the business that are related to the environment are handled and resolved in each case by the environmental divisions of each business.

4. Environmental Commitments

The development of clean energy, investment in smart grids and other energy efficient technologies, and respect for the environment are the pillars of the Group’s energy production model and distinguish the Company in the energy sector as one of the leading companies worldwide.

The Company considers this environmental dimension as a priority in planning its businesses. This compels it to promote innovation, eco-efficiency, and the gradual reduction of environmental impacts in the activities of the Group, in order for energy to become a sustainable driver of the economy and an ally of balanced development.

Accordingly, aware of the importance of this factor in carrying out its corporate mission for its customers and shareholders and for other significant stakeholders with whom it interacts, the Company and the companies belonging to the Group undertake to promote innovation in this field and eco-efficiency (reduction of the environmental impact per production unit), i.e. to gradually reduce the environmental impacts of their activities, facilities, products, and services, as well as to offer, promote, and investigate eco-efficient solutions within their market, thus harmonising the conduct of their activities with the legitimate right of current and future generations to enjoy an adequate environment.

Along these lines, the Policy against Climate Change includes a specific goal of gradually reducing the intensity of greenhouse gas emissions.

The Group also optimises the management of water and hazardous and non-hazardous waste through systems that set objectives and goals on, among other aspects, waste reduction, the use of best practices in water usage, and the use of recycled materials.

5. Instruments for the Adoption and Promotion of Environmental Commitments

The environmental commitments of the Group are promoted through:

a) An organisational structure with clearly defined responsibilities in connection with the environment and sustainability in general, which is decentralised and based on the principle of subsidiarity.

b) This Environmental Policy and other specific policies relating to significant specific aspects, such as biodiversity and climate change.

c) The consideration of the environmental variable in risk control and management policies.

d) A global environmental management system, which allows for a reduction in environmental risks, improving the management of resources and optimising investments and costs.

e) The funding of specific budgets.

f) The periodic preparation of specific strategic plans that determine strategic priorities and key matters relating to the environment.

g) The establishment of specific and verifiable environmental goals.

h) Training of and provision of information to officers and employees.

i) Collaboration with suppliers so that respect for the environment is a principle informing the entire value production chain of the Group.

j) Participation in international initiatives, ratings, and indices relating to sustainability and the environment.

All of the foregoing such that the various levels of the organisation are aware of the importance of respect for the environment in the planning and subsequent implementation of all the actions of the Company, and that all employees contribute with their daily work to the achievement of the goals set in this field.
6. Main Principles of Environmental Conduct of the Group

To achieve the implementation of these commitments, the Group shall be guided by the following main principles of conduct:

a) Respect applicable environmental laws and regulations in the countries in which it operates and, to the extent possible, anticipate the application of new legal provisions when more stringent, and comply with voluntarily assumed commitments and with international rules of environmental conduct, particularly when they are more ambitious.

b) Know and assess the environmental risk of production facilities on an ongoing basis, and constantly improve and update the mechanisms designed to mitigate or eradicate them.

c) Establish indicators and reporting systems that allow for knowing and objectively comparing the environmental impact of the various activities of the Group, classifying them and allowing for the traceability thereof, in order to be able to use such information efficiently in the decision-making process of the businesses of the Group.

d) Prevent the occurrence of such risks and, if appropriate, mitigate the consequences of such occurrence, including, when deemed appropriate, the provision of financial guarantees.

e) Integrate fully the environmental dimension and respect for the natural environment into the strategy of the Group.

f) Ensure at all times the compatibility of environmental protection, the meeting of social needs in the energy arena, and the sustainable creation of value through innovation and eco-efficiency, contributing to a sustainable and responsible energy model.

g) Consume responsibly, making sustainable use of resources and increasing consumption of renewable resources to the extent possible.

h) Incorporate the environmental dimension into investment decision processes and the planning and carrying out of activities, promoting the consideration thereof in cost-benefit analyses.

i) Establish appropriate management systems, based on a philosophy of ongoing improvement, that help to reduce environmental risk and that include:

1. Ongoing efforts to identify, assess, and reduce the adverse environmental effects of the activities, facilities, products, and services of the Group.

2. Provision of information to and training of employees on the effects of the development of the Group’s processes and products to minimise the detrimental effects of its activities on their health and on the environment.

3. Development of plans and programmes setting objectives and goals and updating of emergency plans that will make it possible to reduce risks, minimise adverse environmental effects, and regularly monitor the progress and effectiveness of the measures applied, fostering the ongoing improvement of the Group’s processes and practices.

4. Carry out monitoring, measurement, and, if appropriate, corrective activities.

5. Performance of internal and external audits.

j) Identify and incorporate available technical improvements for the production and distribution of electric power from a technical financial, environmental, and social standpoint.

k) Respect nature, biodiversity, and the historical and artistic heritage in the natural environment where the Group’s facilities are located.

l) Foster research and development of new technologies and processes that help to address climate change and other environmental challenges with a preventive approach and allow for a more efficient use of natural resources to progress towards a more sustainable energy model, including electric mobility.

m) Promote behaviour of the Group that is in line with the principles of this Environmental Policy, assigning positive value to alignment therewith, particularly in the selection of contractors and suppliers.

n) Establish a constructive dialogue with Government Agencies, regulatory authorities, non-governmental organisations, multilateral agencies, shareholders, customers, local communities, and other stakeholders in order to:

1. Mutually understand the interests and objectives of each of the parties.

2. Work jointly in the search for solutions to environmental problems and dilemmas.

3. Contribute to the development of a useful public policy from the environmental standpoint that is efficient in economic terms.

4. Raise awareness of the importance of taking measures to reduce greenhouse gas emissions.

a) Report transparently on environmental results and actions, establishing the appropriate channels to favour communication with the stakeholders and recognising both achievements and aspects that need to be improved.
p) Share acquired knowledge with their customers in order to improve their environmental behaviour in connection with energy.
q) Support legal measures, initiatives and innovations focused on permitting greater electrification of consumer uses of the economy, like electric cars and trains, heat pumps, etc. as an effective and efficient vector of the fight against climate change due to the de-carbonisation that they engender.

This Environmental Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 6 April 2016.
Policy Against Climate Change

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with responsibility for formulating strategy and approving the Corporate Policies of the Company, and for organising the internal control systems. Pursuant to the provisions of the Mission, Vision, and Values of the Iberdrola group, and aware of its commitment to the environment generally and to the fight against climate change particularly, it approves this Policy against Climate Change.

1. Purpose

Climate change is one of the most important challenges that humanity must face in the 21st century. The use of fossil fuels has caused a considerable increase in greenhouse gas emissions, which have accelerated global warming. The Company and the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), recognise the seriousness of the threat that such global warming entails, which must be faced in a collective and coordinated manner by governments, multilateral agencies, the private sector, and society as a whole.

Along these lines, the Company commits to assuming a position of leadership in the fight against climate change, to promote a corporate culture focused on promoting awareness-raising among all of its stakeholders regarding the magnitude of this challenge and the benefits associated with resolving it, identifying specific actions in the area of mitigation and adaptation.

The Company’s leadership commitment is consistent with the climate goals included in the Paris Climate Conference held in December 2015, with goal thirteen of the Sustainable Development Goals approved by the United Nations in September 2015, and with an ambitious and efficient focus on the process of implementation thereof.

The Company thus wishes to contribute actively and decisively to a sustainable and low-carbon future, minimising the environmental impact of all its activities and promoting the adoption of whatever actions are within the Group’s reach for such purpose, an effort that must be compatible with social and economic development through the sustainable generation of employment and wealth.

This Policy against Climate Change is formalised to articulate and disseminate the Group’s commitment with regard to climate change.

2. Main Principles of Conduct

In order to implement this commitment, the Company and the rest of the companies belonging to the Group shall be guided by the following main principles of conduct:

a) Prevent pollution by gradually reducing the intensity of greenhouse gas emissions (expressed in grams of CO₂ per kWh generated), in order to place it below one hundred fifty grams of CO₂ per kWh by 2030—which entails a fifty per cent reduction in the intensity of emissions compared to 2007—continuing the development of electric energy from renewable sources, focusing innovation efforts within more efficient technologies having a lower intensity of carbon dioxide emissions, and progressively introducing them in their facilities, until reaching carbon neutrality by the year 2050.

b) Support international negotiation processes and the significant participation of the private sector to comply with goal thirteen of the Sustainable Development Goals approved by the United Nations and the climate goal included in the Paris Climate Conference, and introduce a more ambitious dynamic both as to the implementation thereof and the agreements that hereafter replace them.

c) Maintain global leadership in renewable energy and in investment in and operation of smart grids, which allow for strong integration of such renewable energy, promote the replacement of energy generation systems based on the use of fossil fuels with higher carbon content, and favour the improvement of efficiency in generation, in transmission, and in the final use of energy. This leadership in renewable energy and efficient technology will allow
the Company to strengthen its commitment to the climate goals within a framework of growing electrification of the
global energy system.
d) Support legal measures, initiatives and innovations focused on permitting greater electrification of consumer uses
of the economy, like electric cars and trains, heat pumps, etc. as an effective and efficient vector of the fight against
climate change due to the de-carbonisation that they engender.
e) Advocate an emissions market that generates a strong and sustainable price signal, capable of generating the
resources required to equitably finance clean energy projects, both in industrialised countries and in emerging and
developing economies.
f) Support a tax system that includes the “polluting party pays” principle as a basic principle and that includes not
only the electricity production industry, but principally the transport and construction industries.
g) Have a global environmental management system, which allows for a reduction in environmental risks, improving
the management of resources and optimising investments and costs.
h) Actively foment a culture that promotes the efficient and responsible use of energy and encourage the behaviours
that favour such responsible use, engaging all stakeholders of the Company for this purpose.
i) Encourage in-house training of the Group’s employees in the fight against climate change and stimulate suppliers
to adopt policies consistent with those of the Company in this area.
j) Regularly review the Company’s greenhouse gas emissions inventory.
k) Lead the main international indices on the fight against climate change.
l) Disseminate any results achieved and/or actions performed by the Group regarding the fight against climate
change.

This Policy against Climate Change was initially approved by the Board of Directors on 15 December 2009 and was last amended on 6 April 2016.
Biodiversity Policy

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with responsibility for formulating the strategy and approving the Corporate Policies and for organising the internal control systems. Pursuant to the provisions of the Mission, Vision, and Values of the Iberdrola group, and aware of its commitment to the environment generally and to the preservation of the biodiversity of the ecosystems, landscapes, and species of the territories in which it does business particularly, it approves this Biodiversity Policy.

1. Biodiversity

Economic and social development is closely linked to the use of natural resources, affecting not only the availability thereof, but also the integrity of ecosystems and the biological diversity thereof. The Company is aware that preservation of the ecosystem is an essential condition for global sustainability, and it is therefore necessary for this development to be fully compatible with the environment. The scientific community unanimously agrees in noting that there is currently a serious decline in biodiversity as well as a degradation of ecosystems. This loss of biodiversity, a direct consequence of the impact of human activities, is occurring more rapidly and generally, which entails serious environmental, economic, and social risks. The Company is fully aware of these risks and of its responsibility as a leading company in the energy sector, and works to adopt the measures allowing for the identification and eradication thereof, with a proactive attitude promoting biodiversity that goes beyond strategies of mitigating or containing damages.

Encouragement of economic and social development, respect for the environment, and promotion of biodiversity are paramount corporate values for the Company, informing all of its actions, aligned to comply with Sustainable Development Goal thirteen and fifteen approved by the United Nations (2015-2030). In this regard, this Biodiversity Policy confirms the Company’s commitment to sustainable and efficient development, recognising the strategic value represented by the preservation and promotion of biodiversity for all of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”).

2. Purpose

During their respective life cycles, the Group’s businesses cause interactions with various ecosystems, landscapes, and species. The Company therefore commits to promoting the biodiversity of the ecosystems, establishing new projects sustainably, allowing balanced co-existence, and conserving, protecting, and promoting the development and growth of the natural heritage. The Company also commits to promote a social culture focused on promoting awareness-raising among all of its stakeholders regarding the magnitude of this challenge and the benefits associated with meeting it, identifying specific actions that contribute to the preservation and development of the environment and to the sustainable use of natural resources. These commitments are assumed and promoted through this Biodiversity Policy, in order for the various levels of the organisation of the Company and the other companies belonging to the Group to progress in developing methods of analysis of effects and actions for the preservation of biodiversity into the planning and subsequent implementation of their activities. Moreover, all the professionals of the Group will contribute in their daily work to the achievement of the targets set in this field.

3. Main Principles of Conduct

To implement its commitment to biodiversity, the Group shall be guided by the following main principles of conduct, which shall be gradually applied in all its activities and businesses:
a) Integrate the preservation of biodiversity into the strategy of the Group, including consideration thereof in decisions on the construction, operation, and decommissioning phases of infrastructure projects, particularly for dams, power lines, and wind farms.

b) Apply a preventive approach to minimise the impacts of new infrastructure on biodiversity, bearing in mind the entire life cycle thereof, for which purpose environmental guidelines shall be prepared for each type of infrastructure project to be carried out by the Group.

c) Incorporate this preventive approach into the environmental and social impact assessments of new infrastructure projects, particularly in natural areas that are sensitive, biologically diverse, or protected.

d) Promote the offset of impacts caused by the Group's activities and the restoration of natural capital. For these purposes, the companies of the Group perform the following activities, among others, based on the needs of each project during the construction, operation, and decommissioning phases: monitoring of flora and fauna, especially protected or vulnerable species, silvicultural treatments, and forest restorations with indigenous species.

e) Integrate biodiversity into the Group's environmental management systems (EMS), setting goals, indicators, and standards for the control, monitoring, and audit thereof.

f) Protecting species and habitats through the application of positive conservation management and investigation of sites in order to obtain a positive net balance with respect to the environment, avoiding the placement of new infrastructure in areas that are protected or that have a high biodiversity value.

g) Report on the biodiversity actions of the Group, the presence of facilities in protected areas, and research, preservation, education, and awareness-raising actions, periodically publishing a biodiversity report.

h) Promoting biodiversity awareness and training for the Group's own personnel as well as subcontracted personnel and those of its suppliers.

i) Participate in carrying out research, preservation, education, and sensitisation projects, cooperating with government agencies, non-governmental organisations, local communities, and other stakeholders on biodiversity issues.

4. Priority Lines of Action

Biodiversity and ecosystems have a leading role in the business strategy of the Company through four priority lines of actions that develop the principles set out in the preceding section:

a) Promoting the protection, preservation, and sustainable use of the natural environment (air, water, land, fauna—especially emphasis on avifauna, terrestrial fauna, and ichthyofauna—, flora and landscape) through the adoption of specific preventative, mitigating, and compensatory actions intended for prevention or to restore zones that may be affected by the Group's facilities in the principal countries in which it does business.

b) Evaluation of the impact of new projects on biodiversity, adopting the measures that may be necessary to correct or minimise them, and in any case attempting for the environmental impact to be as low as possible, consulting with various stakeholder groups regarding the project prior to commencement, and incorporating best construction practices, going beyond applicable legal requirements in each case.

For these purposes, the Group encourages the preparation of environmental impact studies prior to commencing new projects, through impact analysis and prevention mechanisms that take into account various alternatives and establish corrective measures to avoid, mitigate, or offset any possible damages.

Furthermore, the monitoring of environmental impacts does not end upon completion of the facility, but rather continues during the operation and decommissioning phases thereof.

c) The engagement of stakeholders through participation in research projects and the promotion of a strategy of ongoing dialogue that allows for identifying and meeting their expectations in terms of biodiversity and taking them into consideration in the process of making decisions in the management of the businesses.

d) Awareness-raising and communication at both the internal and external level with training activities, internal and external education, prizes, publications, and sponsorship activities.

This Biodiversity Policy was initially approved by the Board of Directors on 18 December 2007 and was last amended on 6 April 2016.
Book Four of the Internal Corporate Governance Rules

21 June 2016
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PRELIMINARY TITLE

Article 1. Purpose
1. The Regulations for the General Shareholders’ Meeting (the “Regulations”) contain the principles for conducting the General Shareholders’ Meeting of IBERDROLA, S.A. (the “Company”), as well as the basic rules for the call, preparation, and holding thereof.
2. The Regulations seek to achieve greater transparency, efficiency, and impetus to the functions of deliberation and decision-making by the shareholders at the General Shareholders’ Meeting, to guarantee equal treatment of all shareholders in the same situation with respect to information, participation, and the exercise of voting rights at the General Shareholders’ Meeting, and particularly to promote the maximum participation of the shareholders and their engagement in the life of the Company.
3. The recommendations on good governance generally recognised in the international markets and the best practices regarding the sustainable management of events have been taken into account in the preparation hereof.

Article 2. Scope of Application and Duration
1. The Regulations shall apply to all General Shareholders’ Meetings held by the Company.
2. They shall have indefinite duration and shall become effective upon the first General Shareholders’ Meeting to be called after the meeting at which it is resolved that these Regulations or any subsequent amendments hereof be approved, without prejudice to the rights previously accorded to the shareholders under legal and by-law provisions.

Article 3. Dissemination
These Regulations and any amendments hereto shall be communicated to the National Securities Market Commission (Comisión Nacional del Mercado de Valores) and registered with the Commercial Registry (Registro Mercantil) pursuant to applicable rules and regulations. The current text of these Regulations shall be made available on the Company’s corporate website.

Article 4. Priority and Interpretation
1. These Regulations further develop and complement legal and by-law provisions applicable to the General Shareholders’ Meeting, which shall prevail in the event of contradiction therewith, and shall be interpreted in accordance with the Corporate Governance System of which they form a part.
2. Any questions that may arise in connection with the interpretation or application hereof shall be resolved by the Board of Directors, which shall propose such amendments, if any, as it deems appropriate. Those that might arise during the General Shareholders’ Meeting shall be settled by the chair thereof.

Article 5. Amendment
1. The Board of Directors, and shareholders who individually or collectively represent at least three per cent of the share capital of the Company, shall have the right to propose amendments to the Regulations.
2. The full text of the proposed amendment and a report providing the rationale therefor prepared by the Board of Directors or by the shareholders making the proposal shall be made available to the shareholders at the time of the call to the General Shareholders’ Meeting at which the decision is to be made regarding the aforementioned proposal.

1. In order to promote and facilitate the informed participation of the shareholders, upon the call to the General Shareholders’ Meeting the Board of Directors shall make available thereto a Shareholder’s Guide that clearly explains the most significant aspects regarding the operation thereof and the procedures established for the exercise of their rights at the General Shareholders’ Meeting.
2. The Board of Directors may approve rules of implementation that systematise, adapt, and specify the provisions of the Corporate Governance System regarding the General Shareholders’ Meeting and the rights of the shareholders related thereto, within the framework of the corporate interest.
3. The Board of Directors shall also entrust to the secretary thereof the preparation and ongoing update of a management framework to coordinate and facilitate the monitoring of all activities necessary for the planning, preparation, call, holding and formalisation of the resolutions at each General Shareholders’ Meeting.
4. Pursuant to the provisions of the Sustainability Policy, the Company shall endeavour to ensure that all actions relating to the organisation of the General Shareholders’ Meeting comply with the best sustainable event management practices.

**TITLE I. FUNCTION, TYPES, AND POWERS**

**Article 7. Function**
1. The General Shareholders’ Meeting is the principal channel for participation of the shareholders within the Company and its sovereign decision-making body, wherein all duly convened shareholders meet to debate and decide by the required majorities those matters within their power, or to be informed of those other matters that the Board of Directors or the shareholders deem appropriate upon the terms provided by law and the Corporate Governance System.
2. Decisions of the shareholders at a General Shareholders’ Meeting bind all shareholders, including shareholders who are absent, vote against, abstain from voting, vote in blank, or lack the right to vote, without prejudice to the rights they may have to challenge such resolutions.

**Article 8. Types**
1. A General Shareholders’ Meeting may be annual or extraordinary.
2. The shareholders acting at an annual General Shareholders’ Meeting, which shall be previously called for such purpose, must meet within the first six months of each financial year in order to approve the corporate management, approve the annual accounts for the prior financial year, and decide upon the allocation of profits or losses from such financial year. Resolutions may also be adopted at the annual General Shareholders’ Meeting regarding any other matter within the power of the shareholders, provided that such matters appear on the agenda of the call to meeting or are legally appropriate and that the required quorum for the General Shareholders’ Meeting has been formed for such purpose.
3. Any General Shareholders’ Meeting not provided for in the preceding section shall be deemed to be an extraordinary General Shareholders’ Meeting.

**Article 9. Powers**
1. The shareholders acting at a General Shareholders’ Meeting shall decide the matters assigned thereto by law, the By-Laws or these Regulations, and in any case regarding the following:
   A. With respect to the Board of Directors and the directors:
      a) The appointment, re-election, and removal of directors, as well as the ratification of directors designated by interim appointment to fill vacancies.
      b) The approval of the establishment and application of systems for remuneration of the Company’s directors consisting of the delivery of shares or of rights therein or remuneration based on the value of the shares.
      c) Releasing the directors from the prohibitions arising from the duty of loyalty, when authorisation is attributed by law to the shareholders acting at a General Shareholders’ Meeting, as well as from the obligation not to compete with the Company.
      d) The exercise of derivative liability actions against directors.
   B. With respect to the annual accounts and corporate management:
      a) The approval of the individual annual accounts of the Company and of the annual accounts of the Company consolidated with those of its subsidiaries.
      b) The allocation of profits/losses.
      c) The approval of corporate management.
   C. With respect to amendments to the Corporate Governance System:
      a) The amendment of the By-Laws.
      b) The approval and amendment of these Regulations.
      c) The approval of the director remuneration policy upon the terms provided by law.
   D. With respect to an increase or reduction in share capital, acquisition of own shares and issue of debentures:
      a) An increase or reduction in share capital.
      b) The delegation to the Board of Directors of the power to increase share capital, in which case it may also grant thereto the power to exclude or limit pre-emptive rights, upon the terms established by law.
c) The delegation to the Board of Directors of the power to carry out an increase in increase already approved by the shareholders at a General Shareholders’ Meeting, within the periods set forth by law, indicating the date or dates of execution and establishing the conditions for the increase as to all matters not provided for by the shareholders. In this case, the Board of Directors may make use of such delegation in whole or in part, or may refrain from using it, in view of market conditions or the condition of the Company itself, or of particularly relevant facts or circumstances that justify such decision, and shall report thereon to the shareholders at the first General Shareholders’ Meeting held after the end of the period granted for the use of such delegation.

d) The exclusion or limitation of pre-emptive rights.

e) The authorisation for the derivative acquisition of the Company’s own shares.

f) The issuance of debentures and other negotiable securities and the delegation to the Board of Directors of the power to issue them, as well as the power to exclude or limit pre-emptive rights, upon the terms established by law.

E. With respect to structural changes of the Company and functionally similar operations:

a) The transformation of the Company

b) The merger or split-off of the Company upon the terms provided by law.

c) The overall assignment of assets and liabilities.

d) The transfer of the registered office abroad.

e) The transfer to controlled entities of core activities that were previously carried out by the Company itself, while maintaining full control thereof.

f) The acquisition, transfer, or contribution of key assets from or to another company.

F. With respect to auditors:

a) The appointment, re-election, and removal of the auditors.

b) The exercise of derivative liability actions against the auditors.

G. With respect to the dissolution and liquidation of the Company:

a) The dissolution of the Company.

b) The appointment and removal of the liquidators.

c) The approval of the final liquidating balance sheet.

d) The exercise of derivative liability actions against the liquidators.

e) The approval of transactions having an effect equivalent to liquidation of the Company.

2. The shareholders acting at a General Shareholders’ Meeting shall also decide any other matter submitted to them by the Board of Directors or by the shareholders in the instances provided by law or that is within their power pursuant to law or the Corporate Governance System.

3. The shareholders acting at a General Shareholders’ Meeting shall also decide, by way of a consultative vote, on the annual director remuneration report, and may also make a pronouncement on any other reports or proposals submitted by the Board of Directors.

TITLE II. CALL TO THE GENERAL SHAREHOLDERS’ MEETING

Article 10. Call to the General Shareholders’ Meeting

1. The General Shareholders’ Meeting shall be formally called by the Board of Directors.

2. The Board of Directors must call the General Shareholders’ Meeting in the following events:

a) In the event set forth in article 8.2 above.

b) If the meeting is requested, in the manner provided by law, by shareholders who individually or collectively represent at least three per cent of the share capital, which request sets forth the matters to be addressed. In this event, the Board of Directors shall call for the General Shareholders’ Meeting to be held within the statutorily prescribed deadline. The Board of Directors shall prepare the agenda of the call to meeting, which must include the matters specified in the request.
3. The Board of Directors may request the presence of a notary public to assist with and draw up the minutes of the General Shareholders’ Meeting. In any event, the Board must request the presence of a notary public under the circumstances provided by law.

**Article 11. Announcement of the Call to Meeting and Agenda**

1. The announcement of the call to meeting shall be published as much in advance as required by law, using at least the following media:
   a) The Official Gazette of the Commercial Registry (Boletín Oficial del Registro Mercantil) or one of the more widely circulated newspapers in Spain.
   b) The website of the National Securities Market Commission.
   c) The Company’s corporate website.

2. The announcement of the call to meeting must contain all statements required by law in each case and must set forth:
   a) The day, place, and time of the meeting upon first call and the agenda, with a statement of all matters to be dealt with.
   b) A clear and specific description of the procedures and periods that the shareholders must observe in order to request the publication of a supplement to the call to the Annual General Shareholders’ Meeting, to submit well-founded proposed resolutions, or to exercise their rights to receive information, to cast an absentee vote, and to grant a proxy, upon the terms provided by law.
   c) The date on which the holders of the Company’s shares must have them registered in their name in the corresponding book-entry register to be able to attend and vote at the General Shareholders’ Meeting being called.
   d) A statement of where and how the complete text of the documents to be submitted at the General Shareholders’ Meeting can be obtained, particularly including the reports of the directors, of the auditors, and of the independent experts to be submitted and the complete text of the proposed resolutions submitted to the shareholders for approval at the General Shareholders’ Meeting.
   e) The address of the Company’s corporate website.
   f) The attendance bonus that the Board of Directors may resolve to pay to shareholders attending the General Shareholders’ Meeting in accordance with the policy approved for such purpose.

The announcement may also set forth the date on which the General Shareholders’ Meeting shall proceed upon second call, if applicable.

3. The shareholders at the General Shareholders’ Meeting may not deliberate on or decide matters that are not included in the agenda of the call to meeting, unless otherwise provided by law.

**Article 12. Supplement to the Call to Meeting and Submission of Well-founded Proposed Resolutions**

1. Shareholders who individually or collectively represent at least three per cent of the share capital may:
   a) Request the publication of a supplement to the call to the Annual General Shareholders’ Meeting including one or more items in the agenda of the call to meeting, so long as the new items are accompanied by a rationale or, if applicable, by a duly substantiated proposed resolution.
   b) Submit well-founded proposed resolutions regarding matters already included or that should be included in the agenda of the call to the General Shareholders’ Meeting.

The written notice of the exercise of such rights shall specify the name or the corporate name of the requesting shareholder or shareholders, and there shall be attached thereto such documentation as evidences the status thereof as shareholder, in order for such information to be checked against that provided by “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR), as well as the contents of the item or items proposed. Under the circumstances set forth in letter a), the Board of Directors may require that the shareholder also attach the proposed resolution or resolutions and, if legally required, in the instances set forth in letters a) and b), the report or reports providing a rationale for the proposals.

2. The shareholders’ rights mentioned in the preceding section must be exercised by duly authenticated notice sent to the Company’s registered office within the periods provided by law.

3. The Company shall publicise the items on the agenda and/or the proposed resolutions submitted in accordance with the preceding sections as soon as possible, within the legally mandated periods, and shall publish a new form of attendance, proxy, and absentee voting card that takes them into account. The Company shall also ensure the
dissemination of these proposed resolutions and any documentation attached thereto to the other shareholders, in accordance with the provisions of law.

4. At the time of the call to meeting, the Board of Directors shall make available to the shareholders all information additional to that required by law that it deems appropriate and that contributes to a better understanding by shareholders with respect to the exercise of their rights in connection with the General Shareholders’ Meeting and of the matters to be dealt with thereat.

**Article 13. Availability of Information**

1. The Company shall endeavour to encourage the use of the most environmentally-friendly channels of information, prioritising the use of digital media whenever the law so allows.

2. When the shareholders are to deal with an amendment to the By-Laws, besides the statements required by law in each case, the announcement of the call to meeting must make clear the right of all shareholders to examine at the Company’s registered office the complete text of the proposed amendment and the report thereon and to request that such documents be delivered or sent to them without charge.

3. In all cases in which the law so requires, such information and additional documentation as is mandatory shall be made available to the shareholders.

**Article 14. Corporate Website**

1. The Company shall use its corporate website to promote the informed participation of all shareholders in the General Shareholders’ Meeting and to facilitate the exercise of their rights related thereto.

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

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

Article 15. Requests for Information Prior to the General Shareholders’ Meeting

1. From the date of publication of the call to the General Shareholders’ Meeting through and including the fifth day
prior to the date provided for the first call to meeting, the shareholders may request in writing the information
or clarifications that they deem are required or ask written questions that they deem pertinent regarding (i) the
matters contained in the agenda for the meeting; (ii) information accessible to the public that has been provided
by the Company to the National Securities Market Commission since the holding of the last General Shareholders’
Meeting; and (iii) the audit report.

2. All such requests for information or questions may be made or asked by delivery of the request to the Company’s
registered office, or by delivery to the Company via mail or other means of electronic or long-distance data trans-
mition sent to the address specified in the announcement of the call to meeting or, in the absence thereof, to the
Office of the Shareholder (Oficina del Accionista). Requests shall be allowed that include the recognised electronic
signature of the requesting party, the personal passwords referred to in letter c of article 19.2 below, or that use
other mechanisms that the Board of Directors deems sufficient to ensure the authenticity and identity of the share-
holder, after an express resolution adopted for such purpose.

3. Regardless of the means used, the request must include the shareholder’s first and last names or company name,
with evidence of the shares owned, in order for this information to be checked against the list of shareholders and
the number of shares in the shareholders’ name provided by “Sociedad de Gestión de los Sistemas de Registro,
Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) for the General Shareholders’ Meeting in question.
The shareholder shall be responsible for showing delivery of the request to the Company as and when due.

4. The Board of Directors shall be required to provide the information requested pursuant to the two preceding par-
agraphs in the form and within the periods set forth in the law, in the By-Laws, and in these Regulations, except in
cases in which it is unnecessary for the protection of shareholder rights, there are objective reasons to believe that
it might be used for ultra vires purposes, or that publication of the information might prejudice the Company or
related companies.

5. The information requested may not be denied if it is supported by shareholders representing at least twenty-five per
cent of the share capital.

6. The Board of Directors may authorise any of its members, its secretary, its deputy secretary or deputy secretaries,
or any other person it deems appropriate, in order for any of them to respond on behalf of the Board of Directors
to shareholder requests for information.

7. To ensure the equal treatment of all shareholders, valid requests for information, clarification, or requests made in
writing by the shareholders and the answers provided in the same form by the Board of Directors or the persons
delegated thereby shall be included in the corporate website of the Company.

8. If, prior to the presentation of a specific question, the information requested is clearly, expressly, and directly avail-
able to all shareholders on the corporate website in question/answer format, the answer may consist of a reference
to the information provided in such format.

TITLE III. RIGHTS TO ATTEND AND TO PROXY REPRESENTATION

Article 16. Participation

The Board of Directors shall adopt appropriate measures to encourage maximum participation of the shareholders at
the General Shareholders’ Meeting, including the ability to deliver promotional material or gifts with symbolic value
to the shareholders participating in the General Shareholders’ Meeting or in the holding of similar promotions. Any
items remaining from the promotions shall be used for social welfare purposes.
Article 17. Attendance
1. All holders of at least one voting share may attend the General Shareholders’ Meeting and take part in deliberations thereof, with the right to be heard and to vote.
2. In order to exercise the right to attend, shareholders must cause the shares to be registered in their name in the corresponding book-entry register at least five days prior to the day on which the General Shareholders’ Meeting is to be held. This circumstance must be evidenced with the appropriate attendance, proxy, and absentee voting card, validation certificate, or other valid form of verification, which will be required at each General Shareholders’ Meeting based on the systems available to verify the status of the attendees.

Article 18. Other Attendees
1. The members of the Board of Directors must attend the General Shareholders’ Meeting. The absence of any of them shall not affect the validity thereof.
2. The chair of the General Shareholders’ Meeting may authorise the meeting to be attended by officers, employees, and other person with an interest in the orderly conduct of corporate matters, as well as by the media, financial analysts, and any other person the chair deems appropriate. The shareholders acting at the General Shareholders’ Meeting may revoke such authorisation.
3. Personnel from the Office of the Shareholder and the person performing the duties described in article 27.3 below shall also attend the General Shareholders’ Meeting.

Article 19. Right to Proxy Representation
1. Shareholders may exercise the right to attend personally or through proxy representation by another person, whether or not such person is a shareholder, by complying with the requirements of law and the Corporate Governance System.
2. The proxy may be granted by delivering to the proxy representative the attendance, proxy, and absentee voting card or any other means of verifying the grant of a proxy that is accepted by the Company, or by any of the following means:
   a) Advance delivery of the attendance, proxy, and absentee voting card or any other means of verifying the grant of a proxy that is accepted by the Company at the premises provided by the Company on the days announced in the Company’s corporate website.
   b) Sending the attendance, proxy, and absentee voting card or any other means of verifying the grant of a proxy that is accepted by the Company by postal correspondence addressed to the Company.
   c) By electronic correspondence, completing the proxy form available on the Company’s corporate website, using a recognised electronic signature of the shareholder or other type of guarantee that the Company deems proper to ensure the authenticity and identification of the shareholder granting the proxy.
For these purposes, the use of the personal passwords that the Company has previously delivered to the shareholder by postal or electronic correspondence to the address that the shareholder has communicated to the Company or through any other form determined by the Board of Directors shall be deemed to be a proper assurance.
3. A proxy granted by any of the means indicated in letters a), b), or c) of the preceding section must be received by the Company before 24:00 on the day immediately prior to the day on which the General Shareholders’ Meeting is held upon first call or upon second call, as applicable.
4. The Board of Directors is authorised to further develop the foregoing provisions by establishing rules, means, and procedures adjusted to current techniques in order to organise the grant of proxies by electronic means, in each case in accordance with the rules and regulations issued for such purpose.
Specifically, the Board of Directors may establish rules for the use of personal passwords and other guarantees other than electronic signatures for the granting of proxies by electronic correspondence, reduce the advance period established above for receipt by the Company of proxies granted by postal or electronic correspondence, and allow and authorise the chair of and the secretary for the General Shareholders’ Meeting and the persons acting by delegation therefrom to accept any absentee votes received after such period, to the extent allowed by the means available.
5. The chairman and the secretary of the Board of Directors or the chair of and the secretary for the General Shareholders’ Meeting, from the constitution thereof, and the persons acting by delegation from either of them, shall have the broadest powers for verifying the identity of the shareholders and their representatives, verifying the
ownership and status of their rights, and recognising the validity of the attendance, proxy, and absentee voting card or the instrument evidencing attendance or representation by proxy.

6. A proxy is always revocable. Attendance by the shareholder granting the proxy at the General Shareholders’ Meeting, whether in person or due to having cast an absentee vote on a date subsequent to that of the proxy, shall have the effect of revoking the proxy.

7. A public solicitation for proxies by the Board of Directors or any of its members shall be governed by the provisions of law and by the corresponding resolution of the Board of Directors, if any.

8. A proxy may cover those matters that the law allows to be dealt with at the General Shareholders’ Meeting even when not included in the agenda.

9. If the proxy has been validly granted pursuant to law and these Regulations but does not include voting instructions or questions arise as to the intended proxy-holder or the scope of the representation, and unless otherwise indicated by the shareholder, it shall be deemed that: (i) the proxy is granted in favour of the chairman of the Board of Directors; (ii) refers to all of the items included in the agenda of the call to the General Shareholders’ Meeting; (iii) contains the instruction to vote favourably on all proposals made by the Board of Directors with respect to the items on the agenda of the call to meeting; and (iv) extends to matters that, although not included in the agenda of the call to meeting, may be dealt with at the General Shareholders’ Meeting in accordance with law, in respect of which the proxy-holder shall vote in the direction the proxy-holder deems most favourable to the interests of the shareholder granting the proxy, within the framework of the corporate interest.

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

10. Before being appointed, the proxy-holder shall provide detailed information to the shareholder regarding the existence of any conflict of interest. If the conflict is subsequent to the appointment and the shareholder granting the proxy has not been advised of the possible existence of such conflict, the proxy-holder shall immediately inform the shareholder thereof. In both cases, if the proxy-holder has not received new specific voting instructions regarding each of the matters on which the proxy-holder has to vote on behalf of the shareholder, the proxy-holder shall abstain from voting, without prejudice to the provisions of the following section.

11. Unless otherwise expressly indicated by the shareholder if the proxy-holder is affected by a conflict of interest and has no specific voting instructions, or if the proxy-holder has them but it is deemed preferable that the proxy-holder not exercise the proxy with respect to the items involved in the conflict of interest, the shareholder shall be deemed to have appointed the following persons as proxy-holders for such items, severally and successively, in the event that any of them is in turn affected by a conflict of interest: first, the chair of the General Shareholders’ Meeting, second, the secretary thereof, and finally, the deputy secretary of the Board of Directors, if any. In this latter event, if there are several deputy secretaries, the order to be used shall be the order established at the time of their appointment (first deputy secretary, second deputy secretary, etc.). The proxy representative so designated shall cast the vote in the direction deemed most favourable to the interests of the person represented thereby, within the framework of the corporate interest.

12. A proxy representative may hold the proxy of more than one shareholder without limitation as to the number of shareholders being represented, and exercise the corresponding voting rights pursuant to the provisions of article 40.3 below.

Article 20. Attendance, Proxy, and Absentee Voting Cards

1. The Company may issue the attendance, proxy, and absentee voting cards for the participation of the shareholders at the General Shareholders’ Meeting, and also propose to the entities members of “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) and to the intermediary and management institutions and depositaries in general, the form of such cards as well as the formula that must be recited in order to delegate proxy representation, which, in the absence of specific instructions from the party granting the proxy, may also set forth the way for the proxy-holder to vote with respect to each of the resolutions proposed by the Board of Directors in connection with each item on the agenda of the call to meeting. The attendance, proxy, and absentee voting card may also specify the identity of the proxy-holder and the alternate or alternates for the proxy-holder in the event of a conflict of interest, in the absence of express appointment by the shareholder being represented.
The Company shall ensure that the cards issued by such institutions are uniform and include a bar code or other system that allows for the reading thereof by electronic or long-distance data transmission means in order to facilitate the computerised calculation of shares represented in person and by proxy at the General Shareholders’ Meeting.

2. The proxy or voting instructions of the shareholders acting through intermediary and management institutions or depositaries may be received by the Company through any valid system or means of long-distance communication, signed by the shareholder or by the institution. The institutions may group together instructions received from shareholders and send them in a block to the Company, indicating the direction of such instructions.

3. If an intermediary or management institution or depositary sends to the Company an attendance, proxy, and absentee voting card or verification instrument of a shareholder duly identified in the document with the signature, stamp, and/or mechanical impression of the institution, and unless the shareholder expressly indicates otherwise, it shall be deemed that the shareholder has instructed such institution to exercise the proxy or voting right, as applicable, in the direction indicated in such card or instrument evidencing the proxy or vote. If there are questions regarding such instructions, it shall be deemed that the shareholder grants the proxy to the chairman of the Board of Directors with the scope set forth in these Regulations and that the shareholder gives specific instructions to vote in favour of the proposals made by the Board of Directors in connection with the items on the agenda of the call to meeting.

4. In other respects, the other rules contained in the Corporate Governance System and those established by the Board of Directors in order to further develop such rules shall apply to the proxies and absentee votes referred to in this article.

5. All of the foregoing shall be without prejudice to the regulations applicable to the relations between financial intermediaries and their customers for purposes of the exercise of the rights to grant a proxy and to vote.

**TITLE IV. INFRASTRUCTURE AND EQUIPMENT**

**Article 21. Place of the Meeting**
1. The General Shareholders’ Meeting shall be held at the place indicated in the call to meeting within the municipal territory of Bilbao. If no place is indicated in the call, it shall be deemed that the meeting will take place at the registered office.

2. The General Shareholders’ Meeting may be attended by going to the place where the meeting is held or, if so indicated in the call to meeting, to other places provided for such purpose by the Company and that are connected with the principal meeting place by systems that allow recognition and identification of the parties attending, permanent communication among the attendees regardless of their location, and participation and voting, all in real time. Attendees at any of such places shall be considered to be attendees at the same individual meeting, which shall be deemed to have been held at the principal location thereof.

**Article 22. Infrastructure, Means of Communication, and Services Available at the Premises**
1. The premises to be used to hold the General Shareholders’ Meeting shall have the personnel, technical equipment, and safety, assistance, and emergency measures commensurate with the nature and location of the property and with the importance of the event. In addition, the premises for holding the General Shareholders’ Meeting shall have the emergency and evacuation measures required by law, as well other measures deemed appropriate in light of the circumstances.

2. The Company may make available other furnished premises with similar characteristics where the General Shareholders’ Meeting can be held in the event of an emergency.

3. Appropriate controls and surveillance and protection measures, as well as systems for controlling access to the meeting, shall be established in order to ensure the safety of the attendees and the orderly conduct of the General Shareholders’ Meeting.

4. Once the General Shareholders’ Meeting has commenced, the attendees are prohibited from using voice amplification instruments, mobile phones, photographic equipment, audio and/or video recording, and/or transmission equipment and, in general any instrument that might alter the visibility, sound, or lighting conditions of the proceedings, except to the extent authorised by the chair thereof.
5. The proceedings of the General Shareholders’ Meeting shall be the subject of audiovisual recording, unless the chair of the General Shareholders’ Meeting decides otherwise. They may also be the subject of storage and live or recorded broadcast by any means, including over the internet, and dissemination on social media. Entering the premises where the General Shareholders’ Meeting is to be held signifies the consent of the shareholders, their proxy representatives, and other attendees to the capture of their image (including voice) and the processing of their personal data. The owner of the data shall have the rights of access, rectification, objection, or erasure of the data collected by the Company, upon the terms provided by law, by sending a letter to the Company at its registered office.

6. Whenever reasonably possible, the Company shall endeavour to ensure that the premises at which the General Shareholders’ Meeting is held has the means to allow access by persons with reduced mobility and the simultaneous interpretation of the proceedings into Euskera (Basque), English, and those other languages that the Board of Directors deems appropriate. The Company shall also establish measures that facilitate participation in the General Shareholders’ Meeting by attendees with auditory or visual limitations.

7. The Company shall also make available to the shareholders any additional information that facilitates following the General Shareholders’ Meeting, such as programmes for the meeting or any other documentation deemed useful for such purpose.

Article 23. Computer System for the Recording of Proxies and Voting Instructions, Preparation of the List of Attendees, and Calculation of Voting Results

1. The Company shall have the personnel and technical equipment required to perform monitoring and counting of the attendance, proxy, and absentee voting cards.

2. On the day of the General Shareholders’ Meeting, the premises indicated for the meeting shall be supplied with the personnel and technical equipment required to monitor the entry of those attending the meeting and to determine the quorum, prepare the list of shareholders present in person and by proxy, and calculate the voting.

3. In order to undertake such activity, the Company may, in accordance with applicable rules and regulations, ask “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) to provide a list of the Company’s shareholders and the number of shares appearing in the name of each shareholder.

Article 24. Office of the Shareholder

The Company shall set up an Office of the Shareholder in a visible place at the stated premises of the General Shareholders’ Meeting, in order to:

a) Answer questions regarding the proceedings raised by the attendees prior to the commencement of the meeting, without prejudice to the rights of the shareholders under legal and by-law provisions to take the floor, make proposals, and vote.

b) Assist and inform attendees who wish to take the floor, preparing for such purpose a list of those who previously state their desire to participate, as well as collecting the text of their statements, if such statements are available in writing.

c) Provide to the attendees who so request the full text of the resolutions proposed by the Board of Directors or shareholders for submission at the General Shareholders’ Meeting regarding each item on the agenda of the call to meeting. Excepted from the foregoing are those proposals that have been prepared immediately prior to the holding of the General Shareholders’ Meeting and that for such reason cannot be delivered in written form to all attendees. Copies of the directors’ reports and other documentation relating to the proposed resolutions shall also be made available to them.

TITLE V. CONDUCT OF THE GENERAL SHAREHOLDERS’ MEETING

Article 25. Opening of the Premises and Monitoring Access Thereto

1. In the place and on the day provided in the announcement for the holding of the General Shareholders’ Meeting on first or second call, and beginning one hour prior to the time announced for the commencement of the meeting (unless otherwise specified in the announcement of the call to meeting), the shareholders or their proxy representatives must present their respective verification documents to the personnel in charge of the registration of attendees.
Once registration has closed, shareholders or proxy representatives arriving late at the place where the General Shareholders’ Meeting is held may attend the meeting as invitees (in the room where the meeting is held or, if so decided by the chair of the General Shareholders’ Meeting, in an adjoining room from where they can follow the meeting).

2. In the event that a second call is made due to the failure to attend of the number of shareholders legally required to hold the General Shareholders’ Meeting upon first call, such circumstance shall be properly recorded in the minutes of the General Shareholders’ Meeting.

Article 26. Presiding Committee, Chair, and Secretary

1. The Presiding Committee (Mesa) of the General Shareholders’ Meeting shall be made up of the chair of and the secretary for the General Shareholders’ Meeting and of the other members of the Board of Directors attending the meeting. Without prejudice to the powers assigned thereto in these Regulations, the Presiding Committee shall assist the chair of the General Shareholders’ Meeting in performing the duties entrusted thereto.

2. The chairman of the Board of Directors, or, in the absence thereof, the vice-chair of the Board of Directors, shall act as chair of the General Shareholders’ Meeting; if there are several vice-chairs of the Board of Directors, they shall act in the order set forth in the By-Laws; and in the absence of the foregoing, the person appointed by the Presiding Committee shall serve.

3. The chair of the General Shareholders’ Meeting shall be assisted by the secretary for the General Shareholders’ Meeting. The secretary of the Board of Directors or, in the absence thereof, the deputy secretary of the Board of Directors, shall act as secretary for the General Shareholders’ Meeting; if there are several deputy secretaries, they shall serve in the order established at the time of their appointment (first deputy secretary, second deputy secretary, etc.). In the absence of the foregoing, the person appointed by the Presiding Committee shall serve as secretary for the General Shareholders’ Meeting.

4. If the chair or the secretary, in each case, must remove themselves for any reason during the holding of the meeting, the provisions of sections 2 and 3 above shall also apply as regards their situation in the performance of their duties.

5. In addition, the chair of the General Shareholders’ Meeting may obtain the assistance of any person the chair deems appropriate.

Article 27. Duties of the Chair of the General Shareholders’ Meeting

1. The chair of the General Shareholders’ Meeting, who is responsible for progress of the meeting, shall generally have the powers needed for such purposes (including those of order and discipline), and the following powers, among others:
   a) To call the meeting to order.
   b) To verify that there is a valid quorum for the General Shareholders’ Meeting and, if applicable, to declare it to be validly in session.
   c) To take notice of the presence of a notary public, if any, to prepare the minutes of the meeting as a result of a request made by the Board of Directors for such purpose.
   d) To make decisions regarding questions, requests for clarification, or claims raised with respect to the list of attendees, the identity and the legitimacy of the shareholders and their proxy representatives, the authenticity and integrity of the attendance, proxy, and absentee voting cards or relevant verification instruments, as well as all matters relating to the possible exclusion, suspension, or limitation of voting and related rights and, specifically, to the right to vote pursuant to law and the By-Laws.
   e) To grant the floor to executive directors or officers that the chair deems appropriate in order to address the shareholders at the General Shareholders’ Meeting in order to report on the progress of the Company, as well as to present the results, goals, and plans thereof. If the chair of the General Shareholders’ Meeting has the status of executive director, such presentation may be made directly thereby, in whole or in part.
   f) To order and direct the progress of the meeting in accordance with the powers set forth in article 36 below. To indicate the time for voting, establish voting systems and procedures, and determine the system for counting and calculating the votes.
   g) To temporarily suspend the General Shareholders’ Meeting and propose the continuation thereof.
   h) To bring the meeting to a close.
2. The chair of the General Shareholders’ Meeting, may entrust the management of the debate to a director the chair deems appropriate, or to the secretary for the General Shareholders’ Meeting, who shall carry out these duties on behalf of the chair, with the chair having the right to retake them at any time.

3. The chair of the General Shareholders’ Meeting may appoint a representative of the Company to make an organised presentation to the General Shareholders’ Meeting on those questions or considerations that the Company’s shareholders—even if they are not in attendance or represented by proxy at the General Shareholders’ Meeting—have submitted to the Company through other channels of participation and that the chair of the General Shareholders’ Meeting deems appropriate to present. Such representative may also present other questions raised by those attending the General Shareholders’ Meeting who prefer to ask their questions for delivery to the chair.

**Article 28. Duties of the Secretary for the General Shareholders’ Meeting**

1. The secretary for the General Shareholders’ Meeting shall assist the chair generally and shall perform the following duties in particular:
   a) To declare the Presiding Committee to be formed.
   b) To prepare, by delegation from the chair, the list of attendees, for which purpose the secretary shall have such means and systems as are determined by the chair.
   c) By delegation from the chair, to report to the shareholders at the General Shareholders’ Meeting regarding the quorum, stating the number of shareholders present in person or by proxy, with an indication of the percentage of share capital they represent as well as the number of shares represented in person and by proxy, also with the foregoing specification.
   d) To report on those matters that the Board of Directors must report to the shareholders at the General Shareholders’ Meeting pursuant to law or the Corporate Governance System.
   e) To draft the minutes of the General Shareholders’ Meeting, if applicable.
   f) To exercise, at the direction of the chair of the General Shareholders’ Meeting, such powers of order and discipline as are necessary for the appropriate conduct of the meeting and the adoption and formalisation of resolutions.

**Article 29. Establishment of a Quorum**

1. The General Shareholders’ Meeting shall be validly established with the minimum quorum required by law or the By-Laws, taking into account the matters appearing on the agenda of the call to meeting and whether the meeting is held upon first or second call.

2. Shareholders representing at least two-thirds of subscribed share capital with voting rights must be in attendance at the first call to the General Shareholders’ Meeting, and shareholders representing at least sixty per cent of such share capital must be in attendance at the second call, in order to adopt resolutions regarding a change in the object of the Company, transformation, total split-off, dissolution of the Company, and the amendment of article 21.2 of the By-Laws.

3. The absence of shareholders occurring once a quorum for the General Shareholders’ Meeting has been established shall not affect the validity of the meeting.

4. If the attendance of shareholders representing a particular minimum percentage of share capital or the consent of specific interested shareholders is required pursuant to law or the Corporate Governance System in order to validly adopt a resolution regarding one or more items on the agenda of the call to meeting, and such percentage is not reached or such shareholders are not present in person or by proxy at the time of formation of the quorum for the General Shareholders’ Meeting, the shareholders thereat shall limit themselves to deliberating on those items on the agenda that do not require such percentage of share capital or the consent of such shareholders.

**Article 30. List of Attendees**

1. Prior to beginning with the agenda for the meeting, the secretary shall prepare a list of attendees, which shall specify those attending as shareholders and those attending as proxy-holders, as well as the number of their own or other shares with which each one is attending. At the end of the list, there shall be a determination of the number
of shareholders present in person or by proxy, as well as the amount of capital they own, with a specification as to which capital corresponds to shareholders with the right to vote. The list of attendees shall include as present those shareholders who have cast absentee votes pursuant to the provisions of the Corporate Governance System.

2. The list of attendees shall be contained in electronic media, the sealed cover of which shall show the appropriate identification procedure signed by the secretary for the General Shareholders’ Meeting with the approval of the chair.

3. If the meeting takes place in different places pursuant to the provisions of these Regulations, the list of attendees shall also include the share capital represented in person or by proxy in each room. In such case, absentee votes shall be included in the room where the Presiding Committee is located.

4. The list of attendees shall be attached to the minutes of the General Shareholders’ Meeting.

Article 31. Shareholder Presentation Requests. Identification

Shareholders desiring to address the General Shareholders’ Meeting must so request the Office of the Shareholder or to whomever is indicated for such purposes prior to the commencement of the meeting and state for the record their first and last names and, if applicable, the name of the corporate shareholder they represent, as well as the number of shares they own and/or represent.

Article 32. Reports

1. Once the list of attendees has been prepared and they have been informed regarding the publications of the announcement of the call to meeting, there shall be a presentation of any relevant reports by the executive directors or senior officers or persons designated for such purpose by the Board of Directors. In particular, the shareholders shall be informed of the main aspects highlighted in the Annual Corporate Governance Report regarding corporate governance, emphasising the changes that have occurred since the last General Shareholders’ Meeting and any non-compliance with corporate governance recommendations that the Company has described in said report.

2. If the annual accounts have qualifications, the Board of Directors may resolve that the chair of the Audit and Risk Supervision Committee and the Company’s auditor explain them to the shareholders at the General Shareholders’ Meeting.

Article 33. Ratification, if Appropriate, of the Quorum for the General Shareholders’ Meeting

1. Prior to the commencement of the presentation period, the chair of the General Shareholders’ Meeting or the secretary by delegation therefrom, shall read the information contained in the list of attendees, detailing the number of shareholders present in person and by proxy, the number of shares represented in person and by proxy, with an indication of the percentage of share capital that both represent, and the total number of shareholders and shares in attendance at the meeting, with an indication of the share capital that such shares represent.

2. Once this information has been publicly announced, the chair of the General Shareholders’ Meeting shall, if appropriate, declare the existence of a proper and sufficient quorum on first or second call, as the case may be, and shall decide if the shareholders can debate and adopt resolutions regarding all matters contained in the agenda or if, on the contrary, debate must be limited to only some of them.

3. If appropriate, the chair of the General Shareholders’ Meeting shall announce the presence of a notary public at the meeting and shall identify such notary public, taking notice of the request to prepare the minutes of the meeting.

4. If a notary public has been requested to prepare the minutes of the meeting, the notary public shall ask the shareholders at the General Shareholders’ Meeting and make clear in the minutes whether there are reservations or objections regarding the statements of the chair of or the secretary for the General Shareholders’ Meeting in connection with the number of shareholders in attendance and the share capital represented in person and by proxy.

Article 34. Shareholder Presentation Period

1. Presentations by the shareholders or their proxy representatives shall occur in the order in which they are called by the secretary. No shareholder or proxy-holder may make a presentation without having been granted the floor or in order to deal with matters that are not included in the agenda of the call to meeting, unless otherwise provided by law.

2. Shareholders or their proxy representatives must make reasonable use of their presentation right with respect to both the duration thereof, which shall be a maximum of five minutes, without prejudice to the chair’s powers to limit or extend such time, as well as the content thereof, which must conform to the provisions of the preceding section and to the respect deserved by the proceedings and the other attendees. If the number of presentations requested or other
circumstances so advise, the chair of the General Shareholders’ Meeting may set a maximum period less than that mentioned above, giving due regard in each case to the principles of equal treatment and non-discrimination among the presenting shareholders.

3. At the time of registration, those shareholders or their proxy representatives who so desire may deliver the text of their presentation to the Office of the Shareholder in order to obtain a photocopy and thus facilitate the meeting proceedings and the preparation of the minutes. This shall be required if there is a request for their presentation to be recorded verbatim in the minutes. In this case, the Office of the Shareholder shall deliver the text to the secretary or to the notary public, if any, in order for it to be compared with the shareholder’s presentation.

4. In addition, during the shareholder presentation period, the representative of the Company appointed by the chair of the General Shareholders’ Meeting may make an organised presentation on those questions or considerations that the shareholders have submitted to the Company through other channels of participation and such other questions as are raised by attendees at the General Shareholders’ Meeting who prefer to ask their questions for delivery to the chair.

**Article 35. Right to Receive Information during the General Shareholders’ Meeting**

1. During the presentation period, shareholders or their proxy representatives may verbally request information or clarifications that they deem are necessary regarding the matters contained in the agenda of the call to meeting, information accessible to the public that has been provided by the Company to the National Securities Market Commission since the holding of the last General Shareholders’ Meeting, and regarding the audit report. They must have previously identified themselves for this purpose in accordance with the provisions of article 31 above.

2. The Company shall provide the information requested pursuant to the preceding section in the form and within the periods provided by law, except as provided by section 4 of article 15 above and without prejudice to the provisions of section 5 thereof.

3. The information or clarifications requested shall be provided by the chair or by any other person designated thereby.

4. If it is not possible to respond to the request for information, clarification, or question during the proceedings, the response shall be sent in writing within the next seven days.

5. A violation of the right to receive information provided for in this article shall only entitle the shareholder to demand compliance with the obligation to provide information and the damages caused thereto, but shall not be grounds for challenging the General Shareholders’ Meeting.

**Article 36. Order of Shareholder Presentations, Requests, and Proposals**

1. The powers to make presentations and requests for information shall only be exercised once. During the presentation period, the presenting party may make proposals regarding any item on the agenda of the call to meeting, except in those cases in which they should have been available to the shareholders at the registered office at the time of publication of the call to meeting or the supplement to the call to meeting, if any, they are excluded by law, or they breach the rights of other shareholders. They may also propose the adoption of resolutions regarding which, pursuant to law, the shareholders at the General Shareholders’ Meeting may deliberate and decide upon without such resolutions appearing on the agenda of the call to meeting.

2. In the exercise of the chair’s powers to ensure the orderly conduct of the meeting, and without prejudice to other action that may be taken, the chair of the General Shareholders’ Meeting may:

   a) Extend the time initially allocated to each presenting party, when the chair deems it appropriate.
   b) Decide the order in which answers will be provided and whether such answers will be given following each presentation or collectively and, if appropriate, in summarised form after the last presentation.
   c) End the shareholder presentation period.
   d) Request the presenting parties to clarify issues that have not been understood or that have not been sufficiently explained during the presentation.
   e) Call the presenting parties to order so that they limit their presentation to business properly before the General Shareholders’ Meeting and refrain from making improper statements or exercising their right of presentation in an abusive or obstructionist manner.
Article 37. Temporary Suspension
1. In exceptional cases, when there are incidents that temporarily prevent the normal progress of the meeting, the chair of the General Shareholders’ Meeting may resolve to suspend the session for the time the chair deems appropriate in order to re-establish the conditions needed for the continuation thereof. The chair may adopt such additional measures as the chair deems appropriate to ensure the safety of the attendees and to avoid the repetition of circumstances that might again affect the proper conduct of the meeting.

2. Once the meeting has resumed, if the situation that gave rise to the suspension persists, the chair shall consult with the Presiding Committee in order for the shareholders to approve a continuation of the meeting on the next day. In the event the continuation is not approved, the chair shall immediately adjourn the meeting.

Article 38. Continuation
1. Upon good reason for doing so, the shareholders acting at the General Shareholders’ Meeting may approve a continuation of the meeting over one or more consecutive days, at the proposal of the chair, of the majority of the directors attending the meeting, or of a number of shareholders representing at least twenty-five per cent of the share capital present. The General Shareholders’ Meeting shall be deemed to be a single meeting, and a single set of minutes shall be prepared for all of the sessions.

2. Once the continuation of the General Shareholders’ Meeting has been approved, there shall be no need to repeat compliance with the provisions of law or the Corporate Governance System in subsequent sessions for them to be validly held. The quorum needed to adopt resolutions shall be determined based on the results of the initial list of attendees, even if one or more of the shareholders included therein do not attend subsequent meetings, without prejudice to the provisions of article 41.3.

TITLE VI. VOTING AND ADOPTION OF RESOLUTIONS

Article 39. Absentee Voting; Powers to Engage in Proxy-Granting and Absentee Voting
1. Shareholders may cast their vote regarding proposals relating to the items included in the agenda of the call to meeting by means of postal or electronic correspondence or any other means of long-distance communication, provided that the identity of the person and the security of the electronic communications are assured. In all such cases, they shall be deemed to be present for purposes of the establishment of a quorum at the General Shareholders’ Meeting.

2. In order to vote by postal correspondence, shareholders must send to the Company the attendance, proxy, and absentee voting card issued in their favour by the corresponding institution, setting forth thereon the direction of their vote, their abstention, or their blank vote, and the direction of the vote in these cases.

3. Votes by electronic correspondence shall be cast using a recognised electronic signature or using the personal passwords referred to in letter c of article 19.2 above or other type of guarantee that the Board of Directors deems best ensures the authenticity and identification of the voting shareholder.
4. Votes cast by any of the means set forth in the preceding sections must be received by the Company before 24:00 on the day immediately prior to the day set for the holding of the General Shareholders' Meeting upon first call or upon second call, as applicable.

5. The absentee voting referred to in this article shall be rendered void:
   a) By subsequent express revocation made by the same means used to cast the vote and within the period established for such voting.
   b) By attendance at the meeting of the shareholder casting the vote.
   c) If the shareholder validly grants a proxy within the established period after the date of casting the absentee vote.

6. If no express instructions are included when casting the absentee vote, or instructions are included only with respect to some of the items on the agenda of the call to meeting, and unless expressly indicated otherwise by the shareholder, it shall be deemed that the absentee vote refers to all of the items included in the agenda of the call to the General Shareholders' Meeting and that the vote is in favour of the proposals made by the Board of Directors regarding the items included in the agenda of the call to meeting with respect to which no express instructions are included.

7. As regards proposed resolutions other than those submitted by the Board of Directors or regarding items not included in the agenda of the call to meeting, the shareholder casting an absentee vote may grant proxy representation through any of the means contemplated in these Regulations, in which case the rules established for such purpose shall apply to the proxy, which shall be deemed granted to the chairman of the Board of Directors unless expressly indicated otherwise by the shareholder.

8. The Board of Directors is authorised to develop the appropriate rules, means, and procedures to organise the casting of votes and the grant of proxies by electronic means.

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

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

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

**Article 40. Voting on Proposed Resolutions**

1. Once the shareholder presentations have ended and responses have been given to requests for information pursuant to the provisions of these Regulations, the proposed resolutions regarding matters included in the agenda of the call to meeting and any others that pursuant to law, may be submitted to a vote even though not appearing thereon, including any proposals made by the shareholders during the meeting that are appropriate under the law and the Corporate Governance System, shall be submitted to a vote.

The Board of Directors shall make separate proposals for resolutions in connection with matters that are substantially independent of one another. In any event, the following must be voted on separately, even if appearing within the same item on the agenda: (i) the appointment, ratification, re-election or removal of each director, (ii) in the
amendment of the By-Laws, that of each article or autonomous group of articles, and (iii) those matters for which
this is provided in the Corporate Governance System.

The adoption of resolutions shall proceed following the agenda set forth in the call to meeting. Resolutions pro-
posed by the Board of Directors shall be first submitted to a vote and then, if appropriate, resolutions proposed
by other proponents and those relating to matters that the shareholders at the General Shareholders’ Meeting can
decide upon without appearing on the agenda shall be voted, with the chair of the General Shareholders’ Meeting
deciding upon the order in which they shall be submitted to a vote. Unless the chair of the General Shareholders’
Meeting decides to proceed otherwise, once a proposed resolution has been adopted, all others relating to the
same matter and that are incompatible therewith shall be withdrawn and therefore not be voted upon.

2. As a general rule, and without prejudice to the powers of the chair of the General Shareholders’ Meeting to use
other procedures and alternative systems, for purposes of voting on the proposed resolutions, the direction of the
votes of the shareholders shall be determined as follows:

a) In the case of proposed resolutions relating to matters included in the agenda of the call to meeting, votes cor-
responding to all shares present in person and by proxy, less the votes corresponding to: shares whose holders
or representatives state that they vote against, in blank, or abstain, stating so for the record to the notary public
or the assistants thereto (or, in the absence thereof, to the secretary for the General Shareholders’ Meeting) for
note thereof to be taken in the minutes of the meeting shares whose holders have voted against, in blank, or
have expressly stated that they abstain through the means of communication referred to in these Regulations;
and shares whose holders or representatives have left the meeting prior to the voting on the proposed resolution
in question and have recorded their withdrawal with the notary public or assistants thereto (or, in the absence
thereof, with the secretary for the General Shareholders’ Meeting), shall be deemed votes in favour.

b) In the case of proposed resolutions relating to matters not included in the agenda of the call to meeting, votes
responding to all shares present in person and by proxy, less the votes corresponding to: shares whose hold-
ners or representatives state that they vote in favour, in blank, or abstain, by communicating or expressing their
vote or abstention to the notary public (or, in the absence thereof, the secretary for the General Shareholders’
Meeting) or the assistants thereto, for note thereof to be taken in the minutes; shares whose holders have voted
in favour, in blank, or have expressly stated that they abstain through the means of communication referred to in
these Regulations; and shares whose holders or representatives have left the meeting prior to the voting on the
proposed resolution in question and have had the notary public or assistants thereto (or, in the absence thereof,
the secretary for the General Shareholders’ Meeting) record their withdrawal from the meeting, shall be deemed
to be votes against.

3. If a proxy-holder represents several shareholders, the proxy-holder may cast votes in different directions based on
the instructions given by each shareholder.

4. Furthermore, so long as the required guarantees of transparency and certainty are provided in the opinion of the
Board of Directors, a vote may be divided in order for financial intermediaries who are recorded as having share-
holder status but act for the account of different clients to be able to divide their votes and cast them in different
directions in accordance with the instructions given by such clients.

**Article 41. Approval of Resolutions and Announcement of Voting Results**

1. The shareholders acting at a General Shareholders’ Meeting shall adopt resolutions with the majorities required
by law or the By-Laws. Each voting share, whether represented in person or by proxy at the General Shareholders’
Meeting, shall grant the holder the right to one vote, without prejudice to the limitations on the maximum number
of votes that may be cast by a shareholder, the conflicts of interest provided for in article 28 of the By-Laws, other
instances in which the By-Laws provide for the suspension of voting rights, or the restrictions established by law.

2. Except in cases in which the law or the By-Laws require a greater majority, the shareholders acting at a General
Shareholders’ Meeting shall adopt resolutions by simple majority of the shareholders present in person or by proxy,
with a resolution being deemed adopted when it receives more votes in favour than against.
For purposes of determining the number of shares upon which the majority needed to adopt the various resolutions shall be calculated, all shares appearing on the list of attendees shall be deemed to be in attendance, present, or represented at the meeting, less: shares whose owners or representatives have left the meeting prior to the voting on the proposed resolution in question and have recorded their withdrawal with the notary public or assistants thereto (or, in the absence thereof, with the secretary for the General Shareholders’ Meeting); and shares which, by application of the provisions of law or the By-Laws, are totally or partially deprived of the right to vote in general, or on the particular resolution in question, or shares in respect of which the exercise of the right to vote has been suspended for the holders thereof.

3. Once the chair of the General Shareholders’ Meeting, at the time of voting, finds the existence of a sufficient number of votes in favour or against all or some of the proposed resolutions, the chair may declare them to be approved or rejected by the shareholders at the General Shareholders’ Meeting, without prejudice to the statements that the shareholders or their proxy representatives may desire to make to the notary public or to the assistants thereto or, if applicable, to the secretary for the General Shareholders’ Meeting, regarding the direction of their vote for recording in the minutes of the meeting.

4. Without prejudice to the provisions of the preceding section, for each resolution submitted to a vote at the General Shareholders’ Meeting, there must be a determination of at least the number of shares for which valid votes have been cast, the proportion of share capital represented by such votes, the total number of valid votes cast, the number of votes in favour and against each resolution, and the number of abstentions and votes in blank, if any.

**TITLE VII. CLOSURE AND MINUTES OF THE MEETING**

**Article 42. Closure**

Once the voting on the proposed resolutions has been completed and the results have been announced by the chair of the General Shareholders’ Meeting, the General Shareholders’ Meeting shall end and the chair thereof shall bring the meeting to a close, adjourning the session.

**Article 43. Minutes**

1. The minutes of the meeting may be approved by the shareholders at the end of the General Shareholders’ Meeting, and otherwise within a period of fifteen days by the chair of the General Shareholders’ Meeting and two inspectors, one on behalf of the majority and the other on behalf of the minority.

2. Once the minutes are approved, they shall be signed by the secretary for the General Shareholders’ Meeting, with the approval of the chair. In the event the aforementioned persons are unable to do so for any reason, they shall be replaced by the persons established by law or the By-Laws.

3. In the event that a notary public takes part in the General Shareholders’ Meeting, the notarial minutes shall be deemed the minutes of the General Shareholders’ Meeting and shall not require approval.

**TITLE VIII. SUBSEQUENT ACTS**

**Article 44. Publication of Resolutions**

1. Without prejudice to registration of recordable resolutions at the Commercial Registry or to applicable legal provisions regarding the publication of corporate resolutions, the Company shall communicate to the National Securities Market Commission, by means of a notice of significant event (hecho relevante), the literal text or a summary of the contents of the resolutions approved at the General Shareholders’ Meeting.

2. The text of the resolutions adopted and the voting results shall be published in full on the Company’s corporate website within five days of the end of the General Shareholders’ Meeting.

3. Furthermore, at the request of any shareholder or their representative at the General Shareholders’ Meeting, the secretary of the Board of Directors shall issue a certification of the resolutions or of the minutes.
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PRELIMINARY TITLE

Article 1.- Purpose
1. The Regulations of the Board of Directors (the “Regulations”) contain the guidelines that are to govern all action taken by the Board of Directors of IBERDROLA, S.A. (the “Company”), the basic rules for the organisation and operation thereof, and the rules for the selection, appointment, removal, and conduct of its members, in order to achieve the greatest degree of transparency, effectiveness, dynamism, supervision, and control in the performance of its duties to develop and fulfil the corporate object and interest.
2. These Regulations further develop and supplement the legal and by-law provisions applicable to the Board of Directors of the Company and form part of the Corporate Governance System. For purposes of maintaining the proper unity and coherence thereof, the Board of Directors may, on its own initiative, approve reforms that simultaneously affect several documents within the Corporate Governance System where the approval thereof is within the purview of the Board of Directors, in which case there shall be no need for a prior proposal or report from any other body.
3. These Regulations have been prepared taking into account the good governance recommendations generally recognised in international markets.
4. The guidelines for action and the rules for organisation and operation of the management decision-making bodies existing at other companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”) shall be governed by their respective internal regulations, if any. Such regulations shall conform to the principles set forth in these Regulations, without prejudice to any adjustments that may be required based on the specific circumstances of each company, and shall, in all cases, abide by the guarantees required by the Corporate Governance System and the principles of coordination and information-sharing that must govern the relations among the management decision-making bodies of the various companies of the Group in order for them to fully comply with their respective duties.

Article 2.- Scope
1. These Regulations apply to the Board of Directors, the representative decision-making bodies thereof (whether collective or single-person), and its internal committees, as well as to all members thereof.
2. The persons to whom these Regulations apply shall have the duty to be apprised of them, to comply with them, and to enforce them, for which purpose the secretary of the Board of Directors shall provide them with a copy to be acknowledged by means of a signed receipt, include it within the directors’ website, and publish it on the Company’s corporate website.
3. The directors shall comply with and enforce the provisions of the Corporate Governance System and shall confirm such commitment in writing upon accepting their appointment or re-election in such manner as is determined by the secretary of the Board of Directors.

Article 3.- Dissemination
These Regulations and any amendments hereto shall be communicated to the National Securities Market Commission (Comisión Nacional del Mercado de Valores) and registered with the Commercial Registry (Registro Mercantil) pursuant to applicable legal provisions. The current text of these Regulations shall be made available on the Company’s corporate website.

Article 4.- Priority and Interpretation
1. These Regulations further develop and supplement applicable legal and by-law provisions, which provisions shall prevail in the event of conflict with the provisions set forth herein, and shall be interpreted in accordance with law and the Corporate Governance System.
2. Any questions that may arise in connection with the interpretation or application hereof shall be resolved by the Board of Directors, which shall include such amendments, if any, as it deems appropriate.

Article 5.- Amendment
1. The Board of Directors may, by resolution adopted by at least a two-thirds majority of the directors present at the meeting in person or by proxy, amend these Regulations on its own initiative, or on the initiative of its chairman, of one-third of the directors, or of the Corporate Social Responsibility Committee, with the proposed amendment to be accompanied by a description of the reasons for and the scope of the amendment sought.
2. The proposed amendments shall be accompanied by a report of the Corporate Social Responsibility Committee, unless the initiative comes from the committee itself or from the Board of Directors.

3. Notice of the meeting of the Board of Directors called to decide upon the aforementioned proposed amendment shall be accompanied by the entire text thereof, the report with the rationale therefor, and the report of the Corporate Social Responsibility Committee, if appropriate.

4. The Board of Directors shall inform the shareholders of any amendment to the Regulations approved thereby at the next General Shareholders’ Meeting.

Article 6.- Corporate Interest

1. The Board of Directors shall carry out its duties always in pursuit of the Company’s corporate interest, which is understood 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.

2. The Board of Directors shall act with unity of purpose and independent judgement, affording equal treatment to all shareholders in the same situation.

3. Furthermore, the Board of Directors shall ensure that in its relations with other stakeholders, the Company abides by laws and regulations, fulfills in good faith its obligations and contracts, observes the customs and good practices of the industries in which it does business, and complies with the social responsibility standards to which it has adhered. The provisions of the preceding sections must also govern the actions of the delegated decision-making bodies of the Board of Directors, its internal committees, and the members thereof.

4. 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 the authority for such purpose to approve a Code of Ethics and a Directors’ Code of Ethics, applicable to all professionals of the Group and to the members of the Board of Directors, respectively, which includes this commitment.

5. In the area of corporate organisation, the Board of Directors shall take such measures as are required to ensure that:
   a) The chairman of the Board of Directors, as well as the Executive Committee and the chief executive officer, pursue the corporate interest.
   b) The strategies for the coordination of relations between the Company and the companies that are members of the Group are established and reviewed on an ongoing basis in order to maximise benefits for all of them.
   c) The professionals of the Group and the directors comply with the provisions of the Code of Ethics and the Directors’ Code of Ethics, respectively.

TITLE I. STRUCTURE AND POWERS

Article 7.- Structure

Management of the Company is vested in a Board of Directors, its chairman, an executive committee called the Executive Committee (Comisión Ejecutiva Delegada), and, if so resolved by the Board of Directors, a chief executive officer (consejero delegado).

Article 8.- 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 By-Laws to the shareholders acting at a General Shareholders’ Meeting.

2. The Board of Directors has the broadest powers and authority to manage and represent the Company.

3. Notwithstanding the foregoing, the Board of Directors shall focus its activity, pursuant to the Corporate Governance System, on the supervision, organisation, and strategic coordination of the Group, and particularly in defining the risk level that it is willing to assume.

   Without prejudice to the powers that can not be delegated under law or the Corporate Governance System, the Board of Directors shall generally entrust the duties of organisation and strategic coordination to the chairman of the Board of Directors, to the chief executive officer, and to the management team, who shall disseminate, implement, and supervise the general strategy and basic guidelines established by the Board of Directors.
4. The Board of Directors shall supervise the activities of the chairman of the Board of Directors, of the chief executive officer, and of the Executive Committee, and shall guarantee the effectiveness of the checks and balances system provided for by law and the Corporate Governance System.

5. The main function of the Company is to act as the parent company of the Group. In this regard, the Board of Directors shall decide on the creation of country subholding companies in the countries it considers appropriate. In each of said countries, the country subholding companies group together the equity stakes in the energy head of business companies acting in that territory. The Group also has country subholding companies that group together certain equity interests in other entities, including the non-energy head of business companies, with a presence in various countries.

These country subholding companies shall disseminate, implement, and ensure compliance with the policies, strategies, and general guidelines of the Group in their respective countries and with respect to the businesses grouped within each of them, taking into account the characteristics and unique aspects of such countries, in accordance with the provisions of applicable law and especially the rules on separation of regulated activities.

6. The Board of Directors shall entrust to the management decision-making bodies and to the management of the head of business companies of the Group the duties of day-to-day administration and effective management of each business.

7. The Board of Directors shall design, evaluate, and review the Corporate Governance System on an ongoing basis. In particular, it shall approve the Mission, Vision, and Values of the Iberdrola group and shall attend to the approval and update of the Corporate Policies, which shall further develop the principles reflected in the By-Laws and other elements of the Corporate Governance System and codify the guidelines that should govern the activities of the Company and of the companies within the Group, as well as its directors, officers, and employees. The Corporate Policies shall group together those relating to corporate governance and regulatory compliance, risks, and social responsibility.

8. The Board of Directors, within its powers regarding the general duty of supervision, organisation, and strategic coordination of the Group, shall occupy itself with the following matters, among others:

a) Establish, within legal limits, the policies and strategies of the Group and the basic guidelines for the management thereof, entrusting to the management decision-making bodies and to the management of the head of business companies of the Group the duties of day-to-day administration and effective management of each business.

b) Supervise the general development of such policies, strategies, and guidelines by the head of business companies of the Group, establishing appropriate mechanisms for the exchange of information in the interest of the Company and of the companies included within the Group.

c) Agree with each of the listed country subholding companies of the Group on their respective special framework of strengthened autonomy and ensure compliance therewith.

d) Decide on matters of strategic importance at the Group level.

9. In particular, the Board of Directors, acting upon its own initiative or at the proposal of the corresponding internal decision-making body, shall occupy itself with the matters set forth below (as an example only):

A) With respect to the engagement of the shareholders in corporate life and with the General Shareholders’ Meeting:

a) Lead the strategy of engaging the shareholders in corporate life and establishing a policy that actively promotes it.

b) Call the General Shareholders’ Meeting, set the agenda of the call to meeting, formulate the corresponding proposed resolutions regarding each of the items on said agenda, and approve the rules for implementation of the provisions of the Corporate Governance System relating to the holding thereof.

c) Propose the amendment of the By-Laws and the Regulations for the General Shareholders’ Meeting to the shareholders at a General Shareholders’ Meeting.

d) Submit to a decision by the shareholders at a General Shareholders’ Meeting the assignment to dependent entities of core activities theretofore carried out by the Company, even though the Company retains full control of such entities.

e) Submit to a decision by the shareholders at a General Shareholders’ Meeting transactions for the acquisition or disposition of essential operating assets.
f) Submit to a decision by the shareholders at a General Shareholders’ Meeting transactions having an effect equivalent to the liquidation of the Company.

g) Carry out the resolutions approved by the shareholders at a General Shareholders’ Meeting and perform any duties that the shareholders have entrusted thereto.

h) Approve a policy for the payment of bonuses for attending the General Shareholders’ Meeting.

i) Generally, submit to the shareholders at a General Shareholders’ Meeting all those matters within its purview under applicable law.

B) With respect to the policies and strategies of the Company and of the Group:

a) Approve the Mission, Vision, and Values of the Iberdrola group.

b) Establish the general policies and strategies of the Company and of the Group.

c) Approve the strategic or business plan, as well as the management goals and annual budgets, the investment and financing policy, the corporate responsibility policy, and the shareholder remuneration policy.

d) Establish the policy for the control and management of risks, including tax risks, and the supervision of the internal information and control systems.

e) Determine the Company’s tax strategy and approve investments or transactions with particular tax risks due to the elevated amount or special characteristics thereof.

f) Establish the shareholders remuneration policy and propose to the shareholders acting at a General Shareholders’ Meeting the decisions it deems most appropriate regarding the application of results and the distribution of dividends, as well as approve the payment of interim dividends. The Board of Directors may also propose other modes of shareholder remuneration.

g) Establish the policy regarding own shares.

C) With respect to the organisation of the Board of Directors and the delegation of powers and the granting of powers of representation:

a) Approve and amend these Regulations.

b) Define the structure of general powers to be granted by the Board of Directors or by the delegated management decision-making bodies.

c) Supervise the effective operation of the committees it has created and the activities of the delegated decision-making bodies and of the senior officers that it has appointed.

D) With respect to the information to be provided by the Company:

a) Manage the provision of information regarding the Company to the shareholders and the markets in general, pursuant to standards of equal treatment, transparency, and truthfulness.

b) Prepare the annual accounts, the management report, and the proposed allocation of the Company’s results, as well as the consolidated annual accounts and management report.

c) Approve the financial information that the Company must periodically make public due to its status as listed company, ensuring that such documents provide a true and fair view of the assets and liabilities, the financial position, and the results of the Company in accordance with the provisions of law.

d) Approve the Company’s Annual Corporate Governance Report, as well as the annual sustainability report, the Annual Director Remuneration Report, and any other report that the Board of Directors deems advisable in order to better inform shareholders and investors or that is required by law.

E) With respect to the directors and senior officers:

a) Designate directors to fill vacancies by interim appointment and propose to the shareholders at a General Shareholders’ Meeting the appointment, ratification, re-election, or removal of directors.

b) Designate and renew internal positions within the Board of Directors and the members of and positions on the committees established within the Board of Directors.

c) Propose to the shareholders at the General Shareholders’ Meeting the approval of the director remuneration policy upon the terms established by law and the Corporate Governance System, and make decisions regarding the remuneration thereof within the framework of the By-Laws and the provisions of said policy.

d) Appoint the directors that are to perform executive duties and remove them, setting the remuneration to which they are entitled by reason of their executive duties and the other terms of their contracts, conforming to the director remuneration policy approved by the shareholders at the General Shareholders’ Meeting.

e) Approve the plan for succession and temporary replacement of the chairman of the Board of Directors.
f) Approve, upon a proposal of the chief executive of the Company, the determination and modification of the Company’s organisational chart, the appointment and removal of senior officers, and the establishment of the basic terms of their contracts, including their remuneration and the compensation or severance payments in the event of removal.

As an exception to the foregoing, based on a proposal made for such purpose by the chairman of the Board of Directors, the Audit and Risk Supervision Committee shall, if applicable, submit to the Board of Directors a proposal supported by the corresponding report regarding the selection, appointment, or removal of the director of the Internal Audit Area.

Senior officers shall be those officers who report directly to the Board of Directors or to any board member, and shall in any case include the director of the Internal Audit Area and any other officer given such status by the Board of Directors.

g) Decide on the authorisation or release from obligations arising from the duty of loyalty established by law (unless the decision regarding the authorisation or release legally corresponds to the shareholders acting at a General Shareholders’ Meeting).

F) Other powers:

a) Determine the structure of the Group.

b) Oversee that the country subholding companies comply with the legal provisions on regulated activities within their respective jurisdictions.

c) Decide on the approval of transactions that the Company or companies of its Group engage in with directors or shareholders holding a significant interest or that are represented on the Board of Directors, as well as with persons related thereto, upon the terms established by law and the Corporate Governance System.

d) Take note of mergers, split-offs, concentrations, or overall assignments of assets and liabilities affecting any of the country subholding companies or head of business companies of the Group.

e) Declare its position regarding all takeover bids for securities issued by the Company.

f) Approve the creation or acquisition of equity interests in special purpose entities or entities registered in countries or territories that are considered to be tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, might diminish the transparency of the Group.

g) Decide on proposals submitted thereto by the Executive Committee, the chairman of the Board of Directors, the chief executive officer, the lead independent director, and the committees of the Board of Directors.

h) Make decisions regarding any other matter within its power that the Board of Directors believes to be in the interest of the Company or that these Regulations reserve to the Board as a whole.

10. Those powers reserved by law or the Corporate Governance System for direct exercise by the Board of Directors may not be delegated.

11. However, when there are urgent and duly justified circumstances, and the law so permits, the Executive Committee or the chief executive officer may make decisions regarding those matters referred to in the preceding sections, which must be ratified at the first meeting of the Board of Directors held after the making thereof.

12. The Board of Directors shall annually evaluate:

a) Its operation and the quality of its work.

b) The performance of their duties by the chairman of the Board of Directors and by the chief executive officer of the Company, based on the report submitted thereto by the Appointments Committee.

c) The operation of its committees, in view of the report submitted thereto by such committees. For such purpose, the chairman of the Board of Directors shall organise and coordinate the aforementioned evaluation process with the chair of each committee.

It shall have the support of external consultants and of those internal means they deem appropriate in each case to perform said evaluation. Based on the results of the annual evaluation, the Board of Directors shall propose a plan of action to correct the deficiencies found.

13. In connection with such matters included in this article as may be appropriate, the Board of Directors shall act in coordination with the management decision-making bodies of the other companies forming part of the Group, acting in the common interest of all of them.
TITLE II. COMPOSITION

Article 9.- Number of Directors
1. The Board of Directors shall be composed of a minimum of nine and a maximum of fourteen directors, who shall be appointed or ratified at a General Shareholders’ Meeting, in accordance with law and the Corporate Governance System.
2. The determination of the number of directors shall be the purview of the shareholders acting at a General Shareholders’ Meeting, for which the shareholders may establish such number either by express resolution or through the filling or non-filling of vacancies or the appointment of new directors.
3. The Board of Directors must submit a proposal to the shareholders at a General Shareholders’ Meeting, setting forth the number of directors best suited to ensuring the efficient operation thereof and proper degree of representation of the Board, and to reflecting an appropriate balance of experience and expertise, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters dealt with.
4. The Board of Directors shall take into account the circumstances of the Company and generally accepted good governance recommendations for purposes of the preceding section.
5. The foregoing shall be deemed to be without prejudice to the system of proportional representation to which the shareholders are entitled under the provisions of law.

Article 10.- Classes 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 (consejeros dominicales): 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 with the other directors. Neither those directors who have been directors for a continuous period of more than twelve years, nor those who are in any of the other situations established for these purposes by law, may be deemed independent directors.
   c) Other external directors: those directors who are not executive directors and also do not fit the description of a proprietary or independent director.
3. Proprietary directors who cease to have such status as a result of the shareholder which proposed their appointment selling its interest may only be re-elected as independent directors when such shareholder has sold all of its shares of the Company and they meet the other requirements for classification as such.
4. A director who has a shareholding interest in the Company may have the status of independent director provided that the director satisfies all of the conditions established by law and, in addition, the interest held thereby is not significant in accordance with applicable legal provisions.
5. The Board of Directors shall endeavour to ensure that the number of executive directors is the minimum necessary, taking into account the complexity of the Group and the percentage interest held by executive directors in the share capital of the Company, and that a majority of the members of the Board of Directors are independent directors. The relation between the number of proprietary directors and the number of independent directors shall reflect, as far as possible, the ratio of the Company’s voting share capital represented by proprietary directors to the rest of the share capital.
6. A rationale for the status of each director shall be given by the Board of Directors at the General Shareholders’ Meeting at which the appointment thereof must be made or ratified, and shall be maintained or, if applicable, modified annually in the Annual Corporate Governance Report after verification by the Appointments Committee.
7. The preceding instructions are mandatory for the Board of Directors, which shall follow them in the exercise of its powers to propose appointments or re-elections at a General Shareholders’ Meeting and to make interim appointments of directors to fill vacancies, and when legally possible merely constitute guidance for the shareholders at the General Shareholders’ Meeting.
TITLE III. APPOINTMENT AND WITHDRAWAL OF DIRECTORS

Article 11.- Selection of Candidates

1. The Board of Directors and the Appointments Committee, within the scope of their powers, shall endeavour to ensure that the candidates proposed to the shareholders at a General Shareholders’ Meeting for appointment or re-election as directors, as well as the directors appointed directly to fill vacancies in the exercise of the power of the Board of Directors to make interim appointments, are respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability, and commitment to their duties.

2. It shall endeavour to ensure that the selection of candidates provides adequate equilibrium within the Board of Directors as a whole, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters within its power.

3. By way of guidance only, it shall also consider the appropriateness of the directors generally not exceeding the age of seventy years.

4. The Board of Directors shall endeavour to ensure that the procedures for selecting candidates favour diversity of gender, experience, and knowledge, and are free from any implied bias entailing any kind of discrimination and, in particular, that they favour the selection of female directors.

5. The Board of Directors shall approve a Director Candidate Selection Policy for the selection of candidates for director that specifically develops the principles set forth in the preceding sections. Any director may suggest candidates to the Appointments Committee, which may take them into account if they meet the requirements set forth in these Regulations and in the Director Candidate Selection Policy.

6. In the case of a corporate director, the person representing it in the exercise of the duties of the position shall be subject to the same requirements and disqualifications applicable to individual directors. The duties established for directors in the Corporate Governance System shall also be applicable thereto and required thereof.

Article 12.- Appointment

1. The directors shall be appointed by the shareholders acting at a General Shareholders’ Meeting pursuant to the provisions of law and, to the extent applicable, the Corporate Governance System.

2. The proposals for appointment and re-election of directors that the Board of Directors submits to a decision by the shareholders acting at a General Shareholders’ Meeting, and the decisions made by the Board of Directors in the exercise of the legally-assigned power to make interim appointments to fill vacancies, shall be preceded by a corresponding proposal of the Appointments Committee, in the case of independent directors, or a report from such committee, in the case of other directors.

3. The Appointments Committee must propose or report in each case on the assignment of the director to one of the categories contemplated in these Regulations and review it on an annual basis. The proposals and reports of the Appointments Committee shall expressly assess the candidates’ respectability, capability, expertise, competence, experience, qualifications, training, availability, and commitment to their duties. For these purposes, the Appointments Committee shall determine the estimated time of dedication for non-executive directors, in number of hours per year, setting forth such number in the corresponding report or proposal.

4. If the Board of Directors deviates from the proposals and reports of the Appointments Committee, it shall give reasons for so acting and shall record such reasons in the minutes.

5. The required support shall be provided in order for new directors to become rapidly and adequately acquainted with the Company and the Group, as well as with the Corporate Governance System, for which purpose the Company may establish guidance programmes. In addition, the Company may establish, when the circumstances make it advisable, update training programmes for the directors.

Article 13.- Disqualifications

The following may not be appointed as directors or as individuals representing a corporate director:

a) Domestic or foreign companies competing with the Company in the energy industry or other industries, or the directors or senior officers thereof, or such persons, if any, as are proposed by them in their capacity as shareholders.

b) Individuals or legal entities serving as directors in more than five companies, of which no more than three may have shares trading on domestic or foreign stock exchanges.

For purposes of the provisions of the preceding paragraph, positions within holding companies are excluded from the calculation. Furthermore, companies belonging to the same group shall be deemed to be a single company.
c) Persons who, during the two years prior to their appointment, have occupied high-level positions in Spanish government administrations that are incompatible with the simultaneous performance of the duties of a director of a listed company under Spanish national or autonomous community law, or positions of responsibility with entities regulating the energy industry, the securities markets, or other industries in which the Group operates.

d) Individuals or legal entities that are under any other circumstance of disqualification or prohibition governed by provisions of a general nature, including those that have interests in any way opposed to those of the Company or the Group.

Article 14.- Term of Office
1. The directors shall serve in their position for a term of four years, so long as the shareholders acting at a General Shareholders’ Meeting do not resolve to remove them and they do not resign from their position.
2. Directors may be re-elected to one or more terms of four years.
3. Vacancies that occur may, pursuant to law, be filled by the Board of Directors until the next General Shareholders’ Meeting, whereat the shareholders shall confirm the appointments or elect the persons who should replace directors who are not ratified, unless it decides to withdraw the vacant positions.

Article 15.- Re-election
1. The proposals for re-election of directors that the Board of Directors resolves to submit to a decision of the shareholders at the General Shareholders’ Meeting shall be subject to a procedure, which shall include a proposal (in the case of independent directors) or a report (in the case of the other directors) from the Appointments Committee, containing an analysis of the quality of the work performed and the dedication to the position shown by the proposed directors during the preceding term of office as well as an express evaluation of the respectability, capability, expertise, competence, availability, and commitment to their duties.
2. Directors sitting on the Appointments Committee shall be evaluated by the committee itself, which shall use the internal and external means it deems appropriate for such purpose, and shall leave the meeting during the debate and voting of resolutions that may affect them.
3. The chairman, the vice-chairs, the lead independent director, and, if they are directors, the secretary and the deputy secretaries of the Board of Directors, who are re-elected as members of the Board of Directors by the shareholders acting at a General Shareholders’ Meeting, shall continue to perform the duties they previously carried out within the Board of Directors, without the need for a new appointment. The foregoing is deemed to be without prejudice to the power of revocation belonging to the Board of Directors.

Article 16.- Resignation, Removal, and Withdrawal
1. Directors shall cease to hold office upon the expiration of the term of office for which they have been appointed or when it is so resolved by the shareholders at a General Shareholders’ Meeting.
2. Directors who cease to hold office due to resignation or other reasons (other than removal by resolution of the shareholders at a General Shareholders’ Meeting) prior to the end of the period for which they were appointed shall explain the reasons for their withdrawal in a letter sent to all of the members of the Board of Directors. The reasons for such withdrawal shall be reported in the Annual Corporate Governance Report.
3. Directors must submit their resignation to the Board of Directors in the following cases:
   a) When, due to supervening circumstances, they are involved in any circumstance of disqualification or prohibition provided by law or the Corporate Governance System.
   b) When, as a result of any acts or conduct attributable to the director, serious damage is caused to the value or reputation of the Company or there is a risk of criminal liability for the Company or any of the companies of the Group.
   c) When they cease to deserve the respectability or to have the capability, expertise, competence, availability, or commitment to their duties required to be a director of the Company.
      In particular, when the condition of the activities carried out by the director, or of the companies directly or indirectly controlled by the director, or of the individuals or legal entities that are shareholders of or related to any of them, or of the individual representing a corporate director, may compromise the competence of the director.
   d) When they are seriously reprimanded by the Board of Directors because they have breached any of their duties as directors, by resolution adopted by a two-thirds majority of the directors.
Regulations of the Board of Directors

Section 3. Removal of Directors

e) When their continuance in office on the Board of Directors may for any reason, either directly, indirectly or through persons related thereto, jeopardise the faithful and diligent performance of their duties in furtherance of the corporate interest.

f) When the reasons why the director was appointed cease to exist and, in particular, in the case of proprietary directors, when the shareholder or shareholders who proposed, requested, or decided the appointment thereof totally or partially sell or transfer their equity interest, with the result that such equity interest ceases to be significant or sufficient to justify the appointment.

g) When an independent director unexpectedly falls under supervening circumstances that prevent the director from being considered as such pursuant to the provisions of law.

4. In any of the instances set forth in section 3 above, the Board of Directors shall request the director to resign from such position and, if applicable, shall propose the director’s removal from office to the shareholders at the General Shareholders’ Meeting.

5. By way of exception, the resignation provisions set forth in letters f) and g) above shall not apply when, after a report from the Appointments Committee, the Board of Directors believes that there are reasons that justify the director’s continuance in office. The foregoing shall be deemed without prejudice to the effect that the new supervening circumstances may have on the classification of the director.

6. In the event that an individual representing a corporate director falls under any of the circumstances set forth in section 3 above, such individual shall be disqualified from acting as a representative thereof.

7. The Board of Directors may propose the removal of an independent director before the passage of the period provided for in the By-Laws only upon sufficient grounds, evaluated by the Board of Directors after a report from the Appointments Committee. For such purposes, it shall be deemed that there are sufficient grounds in the event of a breach of the duties inherent in the position of director or when such director has subsequently become subject to any of the prohibitions set forth in section 3 of this article. Such removal may also be proposed as a consequence of public takeover bids, mergers, or other similar corporate transactions resulting in a significant change in the shareholding structure of the Company.

Article 17.- Duty to Abstain

The directors affected by proposals for appointment, re-election, removal from office, admonishment, or the approval of a contract with the Company governing their remuneration and their other rights and duties in the case of executive directors, shall leave the meeting during the debate and voting on the respective resolutions.

Title IV. Positions and Committees

Chapter I. Positions

Article 18.- Chairman of the Board of Directors

1. The chairman of the Board of Directors shall be appointed from among the directors after a report from the Appointments Committee, and 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.

2. The chairman of the Board of Directors shall be responsible for carrying out the resolutions thereof and of the other collective decision-making bodies that he presides over, being authorised in urgent cases to adopt such measures as the chairman deems advisable in furtherance of the corporate interest pursuant to law and the Corporate Governance System.

3. The chairman of the Board of Directors undertakes the senior management and representation of the Company and the leadership of the Board of Directors. He exercises the following powers in addition to the powers conferred by law and the Corporate Governance System:

   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 stimulate and organise the debate and active participation of the directors during meetings, safeguarding their freedom to take positions and express their opinion.
   
   c) To ensure, with the collaboration of the secretary, that the directors receive in advance information sufficient to deliberate on the items on the agenda.
d) To chair the General Shareholders’ Meeting and direct the discussion and debate therein.

e) 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 corporate decision-making bodies, as well as to propose the persons, if any, who will hold office as vice-chair or vice-chairs, chief executive officer, and secretary and, if applicable, deputy secretary or deputy secretaries of the Board of Directors and of the committees of the Board of Directors.

f) To promote the work of the consultative committees of the Board of Directors and ensure that they carry out their duties and responsibilities efficiently and with due coordination, having an appropriate organisation for such purposes.

4. The Board of Directors may appoint one or more honorary chairmen of the Company.

Article 19.- Vice-Chair or Vice-Chairs of the Board of Directors

1. 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, with all of the powers and duties thereof and in the order set forth in this article, in the event of vacancy, absence, illness, or incapacity.

2. If there is more than one vice-chair, the one that is expressly appointed by the Board of Directors for such purpose shall replace the chairman; in default of the foregoing, the vice-chair having the longest length of service in office; and, in case of equal lengths, the oldest.

3. In the absence of a vice-chair, the chairman shall be replaced by the appropriate director in accordance with the rules of the preceding section.

Article 20.- Chief Executive Officer

1. The Board of Directors may appoint a chief executive officer (consejero delegado) with the favourable vote of at least two-thirds of its members, with the powers it deems appropriate and which may be delegated pursuant to law and the Corporate Governance System.

2. The chief executive officer shall be appointed upon a proposal of the chairman and after a report from the Appointments Committee. If such position is held by the chairman himself, the proposal shall come from the Appointments Committee.

3. The chief executive officer shall exercise the power to represent the Company in an individual capacity.

4. In the event of vacancy, absence, illness, or incapacity of the chief executive officer, the duties thereof may only be assumed by another executive director (and limited to those powers delegated thereto), without prejudice to the duties and powers of the Executive Committee. However, the chairman of the Board of Directors shall convene the Board of Directors on an urgent basis in order to deliberate and decide upon the appointment, if any, of a new chief executive officer.

Article 21.- Checks and Balances System: the 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 chief executive officer or the Executive Committee, 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 the chairman of the Board of Directors, the chief executive officer, and the Executive Committee 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 members of the Board of 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) Chair the meetings of the Board of Directors in the absence of the chairman and of the vice-chairs.

   b) 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.

   c) 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.
d) Coordinate, gather, and reflect the concerns of the non-executive directors.
e) 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.

6. The revocation of any of the foregoing powers shall require a prior report from the Appointments Committee, unless they are powers recognised under the law, in which case they may not be revoked.

Article 22.- Secretary, Deputy Secretary or Deputy Secretaries

1. The Board of Directors, upon a proposal of the chairman thereof and after a report from the Appointments Committee, shall appoint a secretary and, if appropriate, one or more deputy secretaries, who need not be directors. The same procedure shall be followed to decide the removal of the secretary and, if appropriate, each deputy secretary.

2. The deputy secretary or deputy secretaries shall replace the secretary in the event of vacancy, absence, illness, or incapacity. 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 coordinate the tasks of the secretaries of the committees of the Board of Directors as to all matters relating to the Corporate Governance System and to regulatory compliance.

4. The secretary of the Board of Directors shall perform the following duties in addition to those assigned thereto by law and the Corporate Governance System:
   a) Maintain and keep custody of the corporate documents, duly record the proceedings of meetings in the minute books, and certify the resolutions adopted and decisions made by the collective management decision-making bodies.
   b) Ensure the formal and substantive legality of all activities of the collective management decision-making bodies and the adherence thereof to law and the Corporate Governance System. For such purpose, the secretary of the Board of Directors shall take into account, among others, the orders issued by regulatory authorities, as well as their recommendations, if any.
   c) Advise the Board of Directors regarding the ongoing assessment and update of the Company’s Corporate Governance System and report on new initiatives in the area of corporate governance at the domestic and international level, and endeavour to ensure that the Board of Directors takes into account those good governance recommendations for which non-compliance must be explained in the Annual Corporate Governance Report.
   d) Maintain a dialogue with the National Securities Market Commission, unless the Board of Directors expressly assigns this duty to another person.
   e) Generally act as a channel in relations between the Company and the directors in connection with all matters relating to the operation of the Board of Directors, in compliance with the instructions of the chairman thereof, and without prejudice to the powers of the lead independent director.
   f) Assist the chairman of the Board of Directors so that the directors receive information relevant to the exercise of their duties sufficiently in advance and in the proper format.
   g) Channel all requests from the directors regarding the information on and documentation of those matters that fall within the purview of the Board of Directors.
   h) Decide the information that must be included in the Company’s corporate website in compliance with law and the Corporate Governance System.
   i) Act as secretary of the Executive Committee.
   j) Act as secretary for the General Shareholders’ Meeting.
   k) Under the supervision of the chairman of the Board of Directors, provide the support required by the consultative committees of the Board of Directors so that they may act with due coordination, receiving and processing communications between the consultative committees and organising and channelling information flows.
   l) Under the supervision of the Board of Directors, ensure that the consultative committees have the internal and external material and human resources that are appropriate and reasonably necessary to carry out its duties.
and responsibilities, channelling whatever petitions and requests are made for such purpose to the rest of the organisation.

m) Assist the Compliance Unit in handling investigations that affect a member of the Board of Directors, and specifically in selecting the investigating officer, who shall be a person from outside the Group to guarantee independence.

5. The secretary must expressly state for the record his opposition to resolutions that are contrary to law, to the Corporate Governance System, or to the corporate interest, upon the terms set forth in letter f) of article 36.3.

6. In order to properly perform the duties entrusted thereto, the secretary must have access to the minutes of the meetings of the committees of the Board of Directors for which the secretary is not acting as such.

Article 23.- General Secretary and Counsel
1. The Board of Directors, after a report from the Appointments Committee, may appoint a general secretary, who shall contribute to integration and coordination between the Company and the companies forming part of the Group. The secretary of the Board of Directors, or one of the deputy secretaries thereof, if any, may hold the position of general secretary.

2. The Board of Directors, after a report from the Appointments Committee, shall appoint a counsel to the Board of Directors, who shall have the duties given thereto by law.

3. The counsel shall have access to the minutes of the meetings of the Board of Directors and its committees in order to verify that they comply with applicable legal provisions and with the Corporate Governance System.

4. The secretary or one of the deputy secretaries, if any, may perform the duties of counsel to the Board of Directors if they are attorneys-at-law and satisfy the other requirements established by law and it is so decided by the Board of Directors.

5. The general secretary and the counsel must comply with the directors’ obligations established in these Regulations that may apply due to the nature thereof.

Chapter II. Committees of the Board of Directors

Article 24.- Committees of the Board of Directors
1. The Board of Directors must create and maintain, as a part thereof and on a permanent basis, an Executive Committee, with the composition and duties described in these Regulations.

2. The Board of Directors must also create an Audit and Risk Supervision Committee, an Appointments Committee, a Remuneration Committee, and a Corporate Social Responsibility Committee. Such committees shall have the composition and duties described in these Regulations and in the specific regulations thereof.

3. In addition, the Board of Directors may create other committees or commissions of purely internal scope with such powers as are determined by the Board of Directors. The chair and the other members of such committees and commissions, as well as the secretary thereof, shall be appointed by the Board of Directors.

4. The committees shall be governed by their own rules and regulations, if any, which shall be approved by the Board of Directors, and in the alternative and to the extent not inconsistent with their nature, by the provisions of these Regulations governing the operation of the Board of Directors and, specifically, those governing the call to meetings, granting of a proxy to another member of the committee in question, establishment of a quorum, meetings without prior notice, proceedings at meetings and rules for adopting resolutions, voting in writing and without a meeting, and approval of the minutes of meetings.

5. The consultative committees of the Board of Directors shall act with due coordination in the defence of the corporate interest, contributing to the good corporate governance of the Company in accordance with the provisions of the Corporate Governance System.

Article 25.- Executive Committee
1. The Executive Committee shall have all of the powers of the Board of Directors, except for those powers that may not be delegated pursuant to legal or by-law restrictions. However, when there are urgent and duly justified circumstances, and the law so permits, the Executive Committee may make those decisions they deem appropriate for the corporate interest, which must be ratified at the first meeting of the Board of Directors held after the making thereof.

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 directors.
3. The appointment of the members of the Executive Committee and the permanent 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.

4. The chairman of the Board of Directors and the chief executive officer shall 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 is a member of the Executive Committee, and if none, by a director who is a member of the Executive Committee, in both cases pursuant to the order set forth in article 19.2 above.

6. 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.

7. The Company shall endeavour to ensure that, to the extent possible, the structure of participation of the various categories of directors in the makeup of the Executive Committee, excluding executive directors, is similar to that of the Board of Directors.

8. A director who is appointed as a member of the Executive Committee shall serve for the unexpired portion of such director’s term of office, without prejudice to the Board of Directors’ power of revocation. In the event that a member of the Executive Committee is re-elected as director, such member shall only continue to serve as a member of the Executive Committee if expressly re-elected as such by resolution of the Board of Directors.

9. The Executive Committee shall meet as many times as deemed necessary by the chair thereof to exercise its powers and discharge its duties. It shall also meet when so requested by a minimum of two of the directors sitting on the committee.

10. Resolutions of the Executive Committee shall be adopted by absolute majority of its members who are present at the meeting in person or by proxy. In the event of a tie, the chair of the Executive Committee shall have the tie-breaking vote.

11. The chair of the Executive Committee shall inform the Board of Directors, at the next meeting thereof following the meetings of the committee, of the matters dealt with and the resolutions adopted by the Executive Committee during its meetings. The directors shall also receive a copy of the minutes of the meetings of the Executive Committee.

Article 26.- 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, and at least one of them shall be appointed taking into account the knowledge and experience thereof in the areas of accounting, audit, and risk management. As a group, the members of the Audit and Risk Supervision Committee shall have pertinent technical knowledge relating to the energy sector.

3. The Board of Directors shall appoint the 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 and who, in any event, must comply with the directors’ obligations established in these Regulations that may apply due to the nature thereof.

4. Without prejudice to the provisions of section 2 above, the Board of Directors shall endeavour to ensure that the members of the Audit and Risk Supervision Committee and, in particular, the chair thereof, have such expertise, qualifications, and experience in the areas of accounting, audit, and risk management as are required by the duties they are called upon to perform.

5. Members of the Audit and Risk Supervision Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

6. 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.

7. The Audit and Risk Supervision Committee shall have the powers set forth in law, in its own regulations, and in any event the following:
a) Conduct a periodic review of the Risk Policies and propose the amendment and update thereof to the Board of Directors.
b) Approve the policy regarding the selection, contracting, and relations with the auditor.
c) Report to the shareholders at the General Shareholders’ Meeting with respect to the issues raised therein by the shareholders that are within the purview of the Audit and Risk Supervision Committee, and particularly with respect to the results of the audit of the annual accounts, explaining how it has contributed to the integrity of the financial information, and the role that it has played in such process.
d) Monitor the effectiveness of internal control at the Company and within its Group, as well as of their system for the management of risks.
e) Together with the auditors, analyse significant weaknesses in the internal control system detected during the audit, all without infringing upon the independence thereof. To this end, if appropriate, it may submit recommendations or proposals to the Board of Directors and the corresponding follow-up period.
f) Supervise the process of preparing and presenting mandatory financial information and submit recommendations or proposals to the Board of Directors to protect the integrity of this information.
g) Propose to the Board of Directors, for submission to the shareholders at the General Shareholders’ Meeting, its recommendation and preference for the appointment of a new auditor, pursuant to the provisions of law and the Auditor Contracting and Relations Policy. The proposal of the Board of Directors to the shareholders at the General Shareholders’ Meeting must include the recommendation and preference of the Audit and Risk Supervision Committee as provided by law.
h) Propose to the Board of Directors for submission to the shareholders at a General Shareholders’ Meeting the re-election of the auditors, as well as the terms for the hiring thereof, in accordance with applicable legal provisions, and regularly receive therefrom information regarding the audit plan and the implementation thereof, in addition to preserving the independence thereof in the performance of its duties.
i) Supervise the activities of the Internal Audit Area, which shall be functionally controlled by the Audit and Risk Supervision Committee.
j) Authorise in advance the services other than those prohibited by legal provisions governing audit activities that the Company’s audit firm or the persons or entities connected thereto will provide to companies of the Group, all as provided by law and the Auditor Contracting and Relations Policy.
k) Establish appropriate relationships with the auditors to receive information regarding matters that might entail a threat to the independence thereof, for examination by the Audit and Risk Supervision Committee, and any other information related to the development of the audit procedure, as well as such other communications as are provided for in the laws on auditing of accounts and in other legal provisions on auditing.
In any event, it must receive written confirmation from the auditors on an annual basis of their independence in relation to the Company or entities directly or indirectly related thereto, as well as a detailed breakdown of information on additional services of any kind provided to and the corresponding fees received from such entities by such auditors or persons or entities related thereto, pursuant to the legal provisions governing the auditing of accounts.
l) On an annual basis, prior to the audit report, issue a report containing an opinion on whether the independence of the auditors is compromised, which shall be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders’ Meeting. This report shall contain a reasoned assessment of the provision of each and every one of the additional services other than the legal audit referred to in the preceding letter, considered individually and as a whole, and in relation to the rules on independence or the legal provisions regarding the auditing of accounts.
m) Report in advance to the Board of Directors regarding the financial information that the Company must disclose on a regular basis because of its status as a listed company; the committee shall make sure that the interim financial statements are prepared in accordance with the same accounting standards as the annual accounts and, for such purpose, it shall consider the appropriateness of a limited review by the auditor.
n) Report to the Board of Directors, prior to the Board’s decision thereon, regarding the creation or acquisition of interests in special purpose entities or entities registered in countries or territories that are considered to be tax havens, as well as any other transactions or operations of a similar nature that, due to the complexity thereof, might diminish the transparency of the Group, unless such transactions are carried out by listed country sub-
holding companies of the Group or by subsidiaries thereof, in which case the audit and compliance or similar body of such listed country subholding company shall be responsible for issuing the relevant report.

a) Report on the structural modifications and corporate transactions to be undertaken by the Company, analysing the economic terms and conditions thereof, including if appropriate the exchange ratio as well as the accounting impact thereof.

p) Issue such other reports and take such other actions as may also fall within its power pursuant to the Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

8. The Audit and Risk Supervision Committee shall meet as many times as the chair thereof deems is necessary to exercise the powers entrusted thereto. It shall also meet when so requested by a minimum of two of its members. The chairman of the Board of Directors and the chief executive officer may request informational meetings of the Audit and Risk Supervision Committee on an exceptional basis.

9. A valid quorum for meetings of the Audit and Risk Supervision Committee shall be established with the attendance, in person or by proxy, of a majority of its members, and its resolutions shall be adopted by an absolute majority of votes. In the event of a tie, the chair of the Audit and Risk Supervision Committee shall have the tie-breaking vote.

10. At the request of the chair of the Audit and Risk Supervision Committee, addressed for such purpose to the chairman of the Board of Directors, any director may be asked to attend the meetings thereof. The chair of the Committee may also request, through the secretary of the Board of Directors and without prejudice to the provisions of the Regulations of the Audit and Risk Supervision Committee, the attendance of any director, officer, or employee of the Company and of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto. The Audit and Risk Supervision Committee may also seek, at the Company’s expense, cooperation or advice from outside professionals, who shall address their reports directly to the chair of the committee.

12. The chair of the Audit and Risk Supervision Committee shall inform the Board of Directors, at the next meeting thereof following the meetings of the committee, of the matters dealt with and the resolutions adopted during its meetings. In addition, within three months following the end of each financial year, the Audit and Risk Supervision Committee shall submit to the Board of Directors for approval a comprehensive report detailing its work during the prior financial year, which shall subsequently be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders’ Meeting.

13. The Board of Directors shall further develop the preceding rules in the respective Regulations of the Audit and Risk Supervision Committee, always favouring independence in the operation thereof.

**Article 27.- Appointments Committee**

1. The Board of Directors shall create a permanent Appointments 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 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 classified as independent.

3. The Board of Directors shall appoint a chair of the Appointments Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director and who, in any event, must comply with the directors’ obligations established in these Regulations that may apply due to the nature thereof.

4. The Board of Directors shall endeavour to ensure that the members of the Appointments Committee have such expertise, qualifications, and experience as are required by the duties they are called upon to perform.

5. Members of the Appointments Committee shall be appointed for a maximum term of four years, and may be re-elected on one or more occasions for terms of the same maximum length.

6. The Appointments Committee shall have the powers set forth in law, in its own regulations, and in any event the following:
a) Report on and review the criteria that should be followed in composing the Board of Directors and in selecting candidates, and particularly the necessary competence, knowledge, and experience, and assess the time and dedication required for the proper performance of their work. In the exercise of this power, the Appointments Committee shall take into account, regarding non-external directors, the relation between the number of proprietary directors and the number of independent directors, such that the composition of the Board of Directors reflects, as far as possible, the ratio of the Company’s voting share capital represented by proprietary directors to the rest of the share capital.

b) Evaluate compliance with the Director Candidate Selection Policy.

c) Ensure that when new vacancies are filled or new directors are appointed, the selection procedures are free from any implied bias entailing any kind of discrimination and, in particular, from any bias that may hinder the selection of female directors.

d) Establish a goal for representation by the less represented gender on the Board of Directors and prepare guidance on how to reach this objective.

e) Bring proposed appointments of independent directors to the Board of Directors for appointment on an interim basis to fill a vacancy or for submission of such proposals to a decision by the shareholders at the General Shareholders’ Meeting, as well as proposals for the re-election or removal of such directors by the shareholders at the General Shareholders’ Meeting, and report on the proposals for removal of such directors made by the Board of Directors.

f) Report on the proposals for appointment of the other directors for the interim appointment thereof to fill a vacancy or for the submission of such proposals to a decision by the shareholders at the General Shareholders’ Meeting, as well as the proposals for re-election or removal of such directors by the shareholders at the General Shareholders’ Meeting.

g) Report on and make proposals for appointment to internal positions on the Board of Directors and proposals relating to the appointment of the members that must make up each of the committees, verifying and confirming compliance with the requirements of expertise and experience in connection with the powers of the committee in question and, in particular, those of the Audit and Risk Supervision Committee.

h) Establish and supervise an annual programme for continuous evaluation and review of the qualifications, training, and, if applicable, independence, as well as of ongoing compliance with the requirements of respectability, capability, expertise, competence, availability, and commitment to their duties that must be satisfied in order to serve as director and as a member of a particular committee, and propose to the Board of Directors such measures as it deems advisable in this regard, with the power to collect any information or documentation that it deems necessary or appropriate for such purposes.

i) Examine and organise the succession of the chairman of the Board of Directors and of the chief executive of the Company and, if applicable, make proposals to the Board of Directors for such succession to occur in an orderly and well-planned fashion, in accordance with the succession plan approved by the Board of Directors.

j) Supervise the process of selecting candidates for senior officers of the Company and report on the proposals of the Company’s chief executive regarding the appointment or removal of the senior officers.

k) Report on or prepare the Company’s proposals regarding the appointment or removal of the independent directors of the country subholding companies as well as of the companies within the Group and of those in which it has an interest and whose direct or indirect owner is not a country subholding company, without prejudice to respecting the independence and uniqueness (upon the terms provided by law) of those that are listed companies and have corporate governance rules that assign such powers to their own appointments committee or equivalent body.

l) Issue such other reports and take such other actions as may also fall within its power pursuant to the Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

7. The Appointments Committee shall meet as many times as the chair thereof deems is necessary to exercise the powers entrusted thereto. It shall also meet when so requested by a minimum of two of its members. The chairman of the Board of Directors and the chief executive officer may request informational meetings of the Appointments Committee on an exceptional basis.
8. A valid quorum for meetings of the Appointments Committee shall be established with the attendance, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes. In the event of a tie, the chair of the Appointments Committee shall have the tie-breaking vote.

9. At the request of the chair of the Appointments Committee, addressed for such purpose to the chairman of the Board of Directors, any director may be requested to attend the meetings thereof. The chair of the committee may also request, through the secretary of the Board of Directors, the attendance of any director, officer, or employee of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto.

The Appointments Committee may also seek, at the Company’s expense, cooperation or advice from outside professionals, who shall address their reports directly to the chair of the Committee.

10. The chair of the Appointments Committee shall report to the Board of Directors on the matters dealt with and the resolutions adopted at its meetings at the next meeting held by the Board of Directors following the committee meetings. In addition, within three months following the close of each financial year, the Appointments Committee shall submit to the Board of Directors for approval a report detailing its work for the prior financial year, and which shall subsequently be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders’ Meeting.

11. The Board of Directors shall further develop the preceding rules in the respective Regulations of the Appointments Committee.

**Article 28.- Remuneration Committee**

1. The Board of Directors shall create a permanent Remuneration 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 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 Committee, from among the non-executive directors, and the majority thereof must classified as independent.

3. The Board of Directors shall appoint a chair of the Remuneration Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director and who, in any event, must comply with the directors’ obligations established in these Regulations that may apply due to the nature thereof.

4. The Board of Directors shall endeavour to ensure that the members of the Remuneration Committee have such expertise, qualifications, and experience as are required by the duties they are called upon to perform.

5. Members of the Remuneration Committee shall be appointed for a maximum term of four years, and may be re-elected on one or more occasions for terms of the same maximum length.

6. The Remuneration Committee shall have the powers set forth in law, in its own regulations, and in any event the following:

   a) Propose to the Board of Directors the policies on remuneration of the directors and senior officers and periodically review them, proposing any amendment and update thereof to the Board of Directors.

   b) Propose to the Board of Directors the system and amount of annual director remuneration, as well as the individual remuneration of executive directors and other basic terms of their contracts, including any compensation or indemnification payable in the event of removal, in any event pursuant to the provisions of the Corporate Governance System and the director remuneration policy approved by the shareholders at the General Shareholders’ Meeting.

   c) Report on and submit to the Board of Directors the proposals of the Company’s chief executive regarding the structure of the remuneration payable to senior officers and the basic terms of their contracts.

   d) Report on incentive plans and pension supplements for the Group’s workforce, excluding those of the listed country subholding companies and the subsidiaries thereof.

   e) Conduct a periodic review of the general remuneration programmes for the Group’s workforce, evaluating the adequacy and results thereof.

   f) Ensure compliance with the remuneration programmes of the Company and report on the documents to be approved by the Board of Directors for general dissemination regarding information on remuneration, includ-
ing the Annual Director Remuneration Report and the applicable sections of the Company’s Annual Corporate Governance Report.

g) Issue such other reports and take such other actions as may also fall within its power pursuant to the Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

7. The Remuneration Committee shall meet as many times as the chair thereof deems is necessary to exercise the powers entrusted thereto. It shall also meet when so requested by a minimum of two of its members. The chairman of the Board of Directors and the chief executive officer may request informational meetings of the Remuneration Committee on an exceptional basis.

8. A valid quorum for meetings of the Remuneration Committee shall be established with the attendance, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes. In the event of a tie, the chair of the Remuneration Committee shall have the tie-breaking vote.

9. At the request of the chair of the Remuneration Committee, addressed for such purpose to the chairman of the Board of Directors, any director may be requested to attend the meetings thereof. The chair of the committee may also request, through the secretary of the Board of Directors, the attendance of any director, officer, or employee of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto.

The Remuneration Committee may also seek, at the Company’s expense, cooperation or advice from outside professionals, who shall address their reports directly to the chair of the Committee.

10. The chair of the Remuneration Committee shall report to the Board of Directors on the matters dealt with and the resolutions adopted at its meetings at the next meeting held by the Board of Directors following the committee meetings. In addition, within three months following the close of each financial year, the Remuneration Committee shall submit to the Board of Directors for approval a report detailing its work for the prior financial year, and which shall subsequently be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders’ Meeting.

11. The Board of Directors shall further develop the preceding rules in the respective Regulations of the Remuneration Committee.

Article 29.- Corporate Social Responsibility Committee

1. The Board of Directors shall create a permanent Corporate Social Responsibility Committee, 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 the chair of the Corporate Social Responsibility Committee from among the directors forming part thereof, as well as its secretary, who need not be a director and who, in any event, must comply with the directors’ obligations established in these Regulations that may apply due to the nature thereof.

4. The Board of Directors shall endeavour to ensure that the directors sitting on the Corporate Social Responsibility Committee have such expertise, qualifications, and experience as are required by the duties they are called upon to perform.

5. The members of the Corporate Social Responsibility Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

6. The Corporate Social Responsibility Committee shall have the powers set forth in the regulations thereof, and in any event the following:

a) Conduct a periodic review of the Corporate Governance System, with special emphasis on the Corporate Governance and Compliance Policies, and propose to the Board of Directors, for the approval thereof or for submission to the shareholders at a General Shareholders’ Meeting, such amendments and updates as may contribute to the development and ongoing improvement thereof.

b) Promote the Company’s corporate governance strategy.
c) Supervise compliance with legal requirements and with the rules and regulations of the Corporate Governance System.

d) Know, promote, and guide the Company’s actions relating to corporate social responsibility and sustainability and report thereon to the Board of Directors and to the Executive Committee, as appropriate.

e) Assess and review the Company’s plans implementing the Social Responsibility Policies and monitor the level of compliance therewith.

f) Report on the conduct of general interest and corporate social responsibility activities by entities in the nature of foundations related to the Group to which such activities have been entrusted.

g) Know, promote, and guide the Company’s actions relating to corporate reputation and report thereon to the Board of Directors and to the Executive Committee, as appropriate.

h) Report on the Company’s Annual Corporate Governance Report prior to the approval thereof, obtaining for such purpose the reports of the Audit and Risk Supervision Committee, the Appointments Committee, and the Remuneration Committee with respect to the sections of such report that are within its powers, and the annual sustainability report.

i) Issue its prior opinion on the annual report on compliance with legal provisions on the separation of regulated activities within the Group prepared by the Director of Compliance, and submit it to the Board of Directors.

j) Report on proposed amendments of the Regulations of the Board of Directors, the Regulations of the Compliance Unit, and the Code of Ethics.

k) Receive information from the Compliance Unit regarding proposed amendments of the Code of Ethics and regarding any significant issue in connection with promoting awareness of and compliance with the Code of Ethics.

l) Use the Compliance Unit to review the Company’s internal policies and procedures in order to prevent improper conduct and identify policies or procedures that may be more effective in promoting the highest ethical standards.

m) Review and validate the annual operating budget of the Compliance Unit, for submission thereof to the Board of Directors through the chairman of the Board, as well as its annual activity plan, endeavour to ensure that the Compliance Unit has the material and human resources required to discharge its duties.

n) Issue such other reports and take such other actions as may also fall within its power pursuant to the Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

7. The Corporate Social Responsibility Committee shall meet as many times as the chair thereof deems is necessary to exercise the powers entrusted thereto. It shall also meet when so requested by a minimum of two of its members. The chairman of the Board of Directors and the chief executive officer may request informational meetings with the Corporate Social Responsibility Committee on an exceptional basis.

8. A valid quorum for meetings of the Corporate Social Responsibility Committee shall be established with the attendance, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes. In the event of a tie, the chair of the Corporate Social Responsibility Committee shall have the tie-breaking vote.

9. At the request of the chair of the Corporate Social Responsibility Committee addressed to the chairman of the Board of Directors, any director may be asked to attend its meetings. The chair of the committee may also, through the secretary of the Board of Directors, request the attendance of members of the Foundations Committee of the Iberdrola Group, of any director, officer, or employee of the Group, of any member of the management decision-making bodies of the companies forming part of the Group whose appointment has been proposed by the Company, and of any director, officer, or employee of entities in the nature of foundations related to the Group, provided there is no legal impediment thereto.

The Corporate Social Responsibility Committee may also seek, at the Company’s expense, cooperation or advice from outside professionals, who shall address their reports directly to the chair of the committee.

10. The chair of the Corporate Social Responsibility Committee shall inform the Board of Directors, at the next meeting thereof following the meetings of the committee, of the matters dealt with and the resolutions adopted at committee meetings. In addition, within three months following the end of each financial year, the Corporate Social Responsibility Committee shall submit to the Board of Directors for approval a report detailing its work during the prior financial year, which shall be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders’ Meeting.
11. The Board of Directors shall further develop the preceding rules in the respective Regulations of the Corporate Social Responsibility Committee.

**TITLE V. OPERATION**

**Article 30.- Meetings**

1. The Board of Directors shall meet with the frequency that the chairman thereof deems appropriate, but at least eight times per year, and must hold at least one meeting each calendar quarter.

2. Prior to the commencement of each financial year, the Board of Directors shall set a schedule for its ordinary meetings. Such schedule may be modified by a resolution adopted by the Board of Directors or upon a decision made by the chairman, who shall report the modification to the directors not less than five days in advance of the date originally set for the meeting or of the new date set in lieu thereof, if earlier.

3. The Board of Directors shall also meet when the chairman resolves to call an extraordinary meeting thereof or when such extraordinary meeting is requested of it by one-fourth of the directors or by a vice-chairman or by the lead independent director, if any. In the three last-mentioned cases, the chairman of the Board of Directors shall call the meeting within ten days of receipt of the request. The call to meetings of the Board of Directors shall be carried out by the secretary of the Board of Directors or whoever acts in the secretary’s stead, with the authorisation of the chairman, by any means allowing for the receipt thereof. One-third of the directors may also call a meeting, establishing the agenda thereof, in order for the meeting to be held at the place where the registered office is located, if a prior petition has been submitted to the chairman of the Board of Directors and he has failed, without well-founded reasons, to call the meeting within one month.

4. Notice of the call shall be given as much in advance as is necessary, and in any event not later than the third day prior to the date of the meeting, except in the case of emergency meetings, and shall include an agenda unless dispensed with on duly justified grounds.

5. Any information deemed necessary for the proper preparation of and deliberation at the meetings shall be sent or made available through the directors’ website together with the call to meeting.

6. The meetings of the Board of Directors may be cancelled or suspended, or the date, agenda, or place thereof changed, using the same procedure.

7. Extraordinary and urgent meetings of the Board of Directors may be called when the chairman of the Board of Directors deems it justified in the circumstances, by any means allowing for receipt of the call to meeting, and the requirements and formalities for the call to meetings mentioned in the preceding sections of this article shall not apply in such case if the circumstances so require in the opinion of the chairman.

8. The chairman of the Board of Directors shall decide on the agenda for the meeting. Any director may submit a request to the chairman of the Board of Directors for the inclusion of matters in the agenda, and the latter shall be required to include them when such request has been made not less than two days in advance of the date set for the meeting. The express consent of a majority of the directors present at the meeting shall be required to submit to the Board of Directors the approval of resolutions not included on the agenda.

9. Without prejudice to the foregoing, the Board of Directors shall be deemed to have validly met without the need for a call if all of the directors are present in person or by proxy and unanimously agree to hold the meeting and to the items of the agenda to be dealt with.

10. Voting by the Board of Directors may occur in writing without a meeting provided that no director objects thereto. In this instance, the directors may deliver to the secretary of the Board of Directors, who shall act on behalf of the chairman, their votes and the considerations they wish to appear in the minutes, using the same methods provided for the call to meeting. Resolutions adopted using this procedure shall be recorded in minutes prepared pursuant to the provisions of law.

**Article 31.- Place of Meetings**

1. Meetings of the Board of Directors shall be held at the place designated in the call to meeting.

2. Meetings of the Board of Directors may be held in several places connected to each other by a system that permits the recognition and identification of the attendees, permanent communication among them, and participation in discussion and the casting of votes, all in real time.
3. The directors in attendance at any of such interconnected places shall be deemed to have attended the same meeting of the Board of Directors. The meeting shall be deemed to have been held where the largest number of directors is located and, if they are in equal numbers, where the chairman or whoever performs the duties thereof is located.

Article 32.- Conduct of Meetings
1. In order for resolutions of the Board of Directors to be valid, at least a majority of the directors must be present at the meetings at which they are adopted, in person or by proxy.
2. The directors must attend the meetings of the Board of Directors and, when unable to attend in person, must give a proxy to another director, together with appropriate instructions. Non-executive directors may only give a proxy to other non-executive directors. They may not grant a proxy in connection with matters in respect of which the director is in any conflict of interest situation. The proxy granted shall be a special proxy for each meeting of the Board of Directors, and may be communicated by any of the means provided for the call of meetings.
3. When so required by the circumstances, the chairman of the Board of Directors may adopt any measures necessary to ensure the confidentiality of the deliberations and of the resolutions adopted during the meetings of the Board of Directors.
4. The chairman may invite all those who can help improve the information provided to the directors to attend the meetings of the Board of Directors.
5. Resolutions shall be adopted by absolute majority of votes cast in person or by proxy, unless other majorities are provided by law or the Corporate Governance System. In the event of a tie, the chairman of the Board of Directors shall have the tie-breaking vote.
6. Notwithstanding the foregoing:
   a) The permanent delegation of powers and the appointment of directors to exercise such powers, as well as approval of the contracts the Company signs with the executive directors, shall require the favourable vote of at least two-thirds of the directors.
   b) An amendment of these Regulations shall require the favourable vote of at least two-thirds of the directors represented in person or by proxy at the meeting.
7. If directors or the secretary state their concern regarding a proposal or, in the case of directors, regarding the status of the Company, and such concerns are not resolved at the meeting of the Board of Directors, a description thereof shall be reflected in the minutes at the request of those stating their concerns.

TITLE VI. DIRECTOR REMUNERATION

Article 33.- Director Remuneration
1. Directors shall have the right to receive the remuneration to which they are entitled pursuant to the resolutions adopted by the Board of Directors in accordance with the provisions of the By-Laws and the director remuneration approved by the shareholders at the General Shareholders’ Meeting, upon the terms provided by law.
2. The Board of Directors shall ensure that the remuneration payable to the directors is commensurate with the remuneration paid at similarly-sized companies carrying on similar business in the market and that it takes into account their dedication to the Company.
3. In addition, the Board of Directors shall ensure that the amount of the remuneration of non-executive directors is such that it provides incentives to their dedication while not risking their independence.
   The Board of Directors shall approve the contracts governing the remuneration of the executive directors, in accordance with the provisions of law. The contracts shall describe the items for which the directors may obtain remuneration for the performance of executive duties, and shall include any potential severance payment for the early removal from such duties and the amounts to be paid by the Company for insurance premiums or contributions to savings schemes. A director may not receive any remuneration for the performance of executive duties if the amounts or items thereof are not provided for in such contract.
   The approved contract must be attached as an annex to the minutes of the meeting.
4. Remuneration that is tied to the results of the Company shall take into account any qualifications contained in the audit report that reduce such results.
5. The Board of Directors shall prepare the Annual Director Remuneration Report on an annual basis upon the terms provided by law, and which shall be made available to the shareholders upon the call to the Annual General Shareholders’ Meeting and shall be submitted to a consultative vote as a separate item on the agenda.

TITLE VII. INFORMATION TO DIRECTORS

Article 34.- Powers of Information and Inspection
1. A director shall have the broadest powers to obtain information regarding any aspect of the Company, to examine its books, records, documents, and other background information on corporate transactions, to inspect its facilities, and to communicate with the senior officers of the Company.
2. The exercise of the aforementioned powers shall first be channelled through the secretary of the Board of Directors, who shall act on behalf of the chairman.
3. In order to improve their knowledge of the Group, presentations may be made to the directors in connection with the business that it is engaged in. In addition, at each meeting of the Board of Directors, a specific portion of the meeting may be devoted to a presentation on legal or economic matters that are significant for the Group.
4. The Company shall make available to the directors a specific software application (the directors’ website) to facilitate the performance of their duties and the exercise of their powers of information, as well as the monitoring of the director training programmes.
   Such information as is deemed appropriate for preparation of the meetings of the Board of Directors and the committees thereof, in accordance with the agenda included in the calls to meeting, as well as materials relating to director training programmes and the presentations mentioned in the preceding section shall be posted on the directors’ website.
   In addition, the minutes of the meetings of the Board of Directors and the committees thereof or an extract or summary thereof, as well as such information as the Board of Directors resolves to include, shall also be available on the directors’ website, after they have been duly approved.
   All of the foregoing is deemed to be without prejudice to the measures that may be necessary or appropriate to adopt in order to maintain the confidentiality of the information included in the directors’ website.

Article 35.- Assistance of Experts
1. In order to be assisted in the performance of the duties entrusted thereto, any director may request the hiring of legal, accounting, technical, financial, commercial, or other expert advisers, whose services shall be paid for by the Company.
   The assignment must deal with specific issues of certain significance and complexity arising during the performance of the director’s duties.
2. The request for an expert to be hired shall be channelled through the secretary of the Board of Directors, who may subject it to the prior approval of the Board of Directors; such approval may be denied in well-founded instances, including the following circumstances:
   a) That it is not necessary for the proper performance of the duties entrusted to the directors.
   b) That the cost thereof is not reasonable in light of the significance of the issues and the assets and income of the Company.
   c) That the technical assistance sought may be adequately provided by the Company’s own experts and technical personnel.
   d) That it may entail a risk to the confidentiality of the information that must be made available to the expert.

TITLE VIII. DUTIES OF DIRECTORS

Article 36.- General Duties
1. Directors must comply with the duties imposed by law and the Corporate Governance System. In particular, they shall act with the diligence of any ordinary businessman and the loyalty of a faithful representative, taking into account the nature of the position and the duties attributed to each of them, acting in good faith and in protection of the corporate interest.
2. In the area of strategic and business decisions, subject to business discretion, the standard of diligence of an ordinary businessman shall be deemed met if the director has acted in good faith without personal interest in the matter being decided, with sufficient information and pursuant to an appropriate decision-making process.

3. In particular, a director shall be obligated to:
   a) Properly prepare the meetings of the Board of Directors and, if applicable, the meetings of the Executive Committee or of the committees of which the director is a member, for which purposes the director must diligently become apprised of the running of the Company and the matters to be discussed at such meetings.
   b) Attend the meetings of the decision-making bodies and committees of which the director is a member and actively participate in the deliberations in order that the director’s opinion may be an effective contribution to decision-making.
   c) Fulfil any specific obligation that is entrusted to the director by the Board of Directors, by the chairman of the Board of Directors, or by the chief executive officer, and that reasonably falls within the director’s scope of dedication.
   d) Inquire into and inform the Board of Directors of any irregularities in the management of the Company of which the director has had notice, and monitor any situation of risk.
   e) Propose a call to an extraordinary meeting of the Board of Directors or the inclusion of new matters in the agenda of the next meeting to be held, in order that deliberations may be conducted on such issues as the director deems advisable.
   f) Oppose resolutions that are contrary to law, the Corporate Governance System, or the corporate interest, and request that such opposition be recorded in the minutes.

   In particular, directors must clearly express their opposition if they believe that a proposed resolution submitted to the Board of Directors may be contrary to the corporate interest. In particular, independent directors and other directors not affected by a potential conflict of interest shall state for the record their opposition to resolutions that might cause prejudice to shareholders whose interests are not represented on the Board of Directors.

4. If the Board of Directors makes significant or repeated decisions on matters with respect to which a director has made serious reservations and such director tenders their resignation, the director must explain the reasons for their resignation in the letter referred to in article 16.2 above, without prejudice to compliance with the duties established by law and the Corporate Governance System.

Article 37.- Duty of Confidentiality

1. A director shall keep confidential the deliberations and resolutions of the Board of Directors, of the Executive Committee, and of the committees of which the director is a member and, in general, shall not disclose any information, data, reports, or background information to which the director may have had access while in office, nor use any of the foregoing for the director's own benefit, for the benefit of the shareholder, if any, that has proposed or made the director's appointment, or of any other third party, without prejudice to the duties of transparency and information imposed by applicable law.

2. The obligation established in the preceding section shall not prevent the director from communicating confidential information to third parties in the performance of the duties entrusted to the director as such or the exercise of powers expressly delegated thereto by the Board of Directors or by the relevant committee, provided the duty of confidentiality of the recipient of the information is appropriately guaranteed, under the responsibility of the director, on the terms set forth by law.

3. A director's duty of confidentiality shall survive even after the director no longer holds such position.

Article 38.- Duty Not to Compete

1. A director may not be a director or officer of, or provide services to, another company or entity whose object is similar, in whole or in part, to the object of the Company or which is a competitor thereof or of any companies within the Group.

2. Excepted from the foregoing restriction are the duties that may be performed and the offices that may be held in companies belonging to the Group, in companies in which the director acts as a representative of the interests of the Group, in companies in which any of the companies belonging to the Group has an interest and in which the director does not act as a representative of the interests of the Group, unless the Board of Directors, following a report from the Appointments Committee, believes that the Company's interests are jeopardised.
3. The waiver of the duty not to compete may only be approved if no harm to the Company can be expected or if the harm expected is offset by the benefits expected to be obtained from the waiver. It shall be given, in those cases when so required by law, by the shareholders at the General Shareholders’ Meeting by means of an express resolution in a separate item of the agenda. In other instances, the waiver may be given by the Board of Directors, after a report from the Appointments Committee.

4. A director who ends the term of office to which the director was appointed or who, for any other reason, ceases to act as such, may not be a director or officer of, or provide services to, any entity whose object is similar, in whole or in part, to that of the Company or which is a competitor of the Company, for a term of two years. The Board of Directors may, if it deems it appropriate, relieve the outgoing director from this restriction or reduce it to a shorter period.

Article 39.- Conflicts of Interest

1. Directors must adopt the measures necessary to avoid entering into conflict of interest situations pursuant to the provisions of law.

2. A conflict of interest shall be deemed to exist in those situations provided by law, particularly when the interests of the director, either for their own or another’s account, directly or indirectly conflict with the interest of the Company or of companies within the Group and their duties to the Company.

An interest of a director shall exist when a matter affects the shareholder or shareholders that proposed or caused the appointment thereof or persons directly or indirectly related thereto.

3. For purposes of these Regulations, the following shall be deemed persons related to the director:
   a) The director’s spouse or person related to the director by a like relationship of affection.
   b) The ascendants, descendants, and siblings of the director or of the director’s spouse (or another person related to the director by a like relationship of affection).
   c) The spouses of the director’s ascendants, descendants, and siblings.
   d) The companies in which the director or the director’s respective related persons, acting personally or through a third party, fall within any of the instances of control established by law.
   e) The companies or entities in which the director or any of the director’s related persons, acting personally or through a third party, hold a management position or from which the director receives remuneration for any reason, provided that the director also directly or indirectly exercises a significant influence on the financial and operating decisions of such companies or entities.

4. In the case of a corporate director, the following shall be deemed to be related persons:
   a) The shareholders who, in respect of the corporate director, fall within any of the cases of control established by law.
   b) The companies that form part of the same group, as such is defined by law, and the shareholders thereof.
   c) The individual acting as a representative, the directors, in fact or in law, and the liquidators of, and the representatives holding general powers of attorney granted by, the corporate director.
   d) Those persons who, in respect of the representative of the corporate director, are deemed related persons pursuant to the provisions of the preceding sub-section applicable to individuals acting as directors.

5. Without prejudice to the provisions of section 1 above, conflicts of interest shall be governed by the following rules:
   a) Communication: the director must give notice to the Board of Directors, in the person of the chairman or the secretary thereof, of any conflict of interest in which the director is involved.
   b) Abstention: the director shall leave the meeting during the deliberation and voting on those matters in which the director is affected by a conflict of interest, and shall not be counted in the number of members attending for purposes of the calculation of a quorum and majorities.
   c) Transparency: whenever required by law, the Company shall report any cases of conflict of interest in which the directors have been involved during the financial year in question and of which the Company is aware by reason of notice given thereto by the director affected by such conflict or by any other means.

6. In those instances where the conflict of interest situation is, or may reasonably be expected to be, of a nature that constitutes a structural and permanent conflict between the director (or persons related thereto or, in the case of a proprietary director, the shareholder or shareholders that proposed or made the director’s appointment or persons directly or indirectly related thereto) and the Company or the companies forming part of the Group, it shall be deemed that the director lacks, or has ceased to possess, the competence required to hold office.
7. The provisions of this article may be further developed through any appropriate rules that may be made by the Board of Directors.

Article 40.- Use of Corporate Assets
1. A director may not use the Company’s assets or profit from the director’s position in the Company in order to obtain any financial benefit, unless arm’s length consideration has been paid and it is a standardised service.
2. On an exceptional basis, the Board of Directors, after a report from the Appointments Committee, may relieve the director from the obligation to provide such consideration, but in any such case, the financial benefit shall be deemed remuneration in kind and must conform to the director remuneration policy.

Article 41.- Non-Public Information
1. A director may use non-public information of the Company for private purposes only if the following conditions are satisfied:
   a) That such information is not applied with respect to transactions for the purchase or sale of securities or financial instruments of the issuer to which the information directly or indirectly refers.
   b) That it does not place the director in a position of advantage vis-à-vis third parties, including suppliers and clients.
   c) That the use thereof does not cause any harm to the Company.
   d) That the Company does not own proprietary rights in, or have a similar legal position with respect to, the information that the director wishes to use.
2. In addition, the director shall observe the rules of conduct established in the legal provisions governing the securities markets and in the Corporate Governance System.

Article 42.- Business Opportunities
1. A director may not take advantage of a business opportunity of the Company, either for the director’s own benefit or for the benefit of related persons, unless the investment or transaction has previously been offered to the Company, the Company has chosen not to take advantage of it without any pressure from the director, and the director has been authorised by the Board of Directors to profit from the transaction, following a report from the Appointments Committee.
2. A business opportunity shall be deemed to be any possibility of making an investment or a business transaction that has arisen or has been discovered in connection with the director’s performance of duties as such, or through the use of means and information belonging to the Company, or in circumstances such that it is reasonable to believe that the third party’s offer was in fact addressed to the Company.
3. Likewise, a director shall not use the Company’s name and shall not invoke the position thereof as director of the Company in order to carry out transactions for the director’s own account or for the account of related persons.

Article 43.- Transactions by the Company with Directors and Shareholders
1. Any transaction by the Company or the companies forming part of its Group with directors, with shareholders that own a shareholding interest that is equal to or greater than that legally regarded as significant at any time or that have proposed the appointment of any of the directors of the Company, or with the respective related persons, shall be subject to the approval of the Board of Directors, or in urgent cases, of the Executive Committee, following a report from the Appointments Committee.
   In the event that authorisation has been granted by the Executive Committee due to the urgency of the matter, the Executive Committee shall give notice thereof at the next meeting of the Board of Directors in order for it to be ratified.
2. The Board of Directors, through the Appointments Committee, shall ensure that transactions between the Company or the companies forming part of its Group and the directors, the shareholders mentioned in the preceding section, or the respective related persons are carried out under arm’s length conditions and with due observance of the principle of equal treatment of shareholders in the same situation.
3. In the case of customary and recurring transactions in the ordinary course of business, it shall be sufficient for the Board of Directors to give prior generic approval of the kind of transaction and of the conditions for performance thereof, following a report from the Appointments Committee.
4. The authorisation shall not be required in connection with transactions that simultaneously satisfy the following three conditions: that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to a large number of customers; that they are conducted at prices or rates established
generally by the party acting as supplier of the goods or services in question, and that the amount thereof does not exceed one percent of the consolidated annual income of the Group.

5. The authorisation must be approved by the shareholders at the General Shareholders’ Meeting in the instances provided by law, and particularly if it affects a transaction having a value of more than ten per cent of the corporate assets.

6. The Company shall report the transaction referred to in this article in the Half-Yearly Financial Report and in the Annual Corporate Governance Report, in the cases and to the extent provided by law. Likewise, the Company shall include in the notes accompanying the annual accounts information regarding the transactions by the Company or by the companies of the Group with the directors and those persons who act for the account of the latter when such transactions are conducted other than in the ordinary course of the Company’s business or other than under normal arm’s length conditions.

7. The provisions of this article may be further developed through any appropriate rules that may be made by the Board of Directors.

Article 44.- Duty to Disclose Information

1. A director must report to the Company, through the chairman of the Board of Directors, any situation of direct or indirect conflict that the director or persons related thereto may have with the interests of the Company.

2. A director must also disclose to the Company:
   a) All positions the director holds at and services the director provides to other companies or entities, as well as the director’s other professional commitments. In particular, before accepting office as director or officer at another company or entity (except for the positions the director is called upon to hold at companies belonging to the Group or at other companies in which the director represents the interests of the Group), the director must give prior notice thereof to the Appointments Committee.
   b) Any substantial change in the director’s professional status that may affect the condition or capacity by virtue of which the director may have been appointed as director.
   c) Any judicial, administrative, or other proceedings instituted against the director which, because of their significance or characteristics, may seriously reflect upon the reputation of the Company. In particular, every director must inform the Company, through the chairman of the Board of Directors, in the event that the director is subject to an investigation, arrested, or an order for the commencement of an oral criminal trial is issued against the director for the commission for any crime, and of the occurrence of any significant procedural steps in such proceedings. In such instance, the Board of Directors shall review this circumstance as soon as practicable and, following a report of the Appointments Committee, shall adopt the decisions it deems fit taking into account the interests of the Company.
   d) In general, any fact or event that may be relevant to the holding of office as a director of the Company.

3. Directors shall provide the Company with an e-mail address as well as a mobile telephone number such that meetings of the Board of Directors and of the committees of which they are members may be called by those means, if so decided, and the corresponding information, if any, may so be provided to them.

Article 45.- Extension of Directors’ Duties

The duties prescribed in this title of these Regulations in connection with the relations between the directors and the Company shall also be deemed applicable by analogy to their potential relations with companies of the Group. Likewise, the obligations referred to in this title of the Regulations shall be binding on the individuals representing corporate directors.

TITLE IX. INFORMATION AND RELATIONSHIPS

Chapter I. Information

Article 46.- Annual Corporate Governance Report

1. The Board of Directors shall, on an annual basis, approve a corporate governance report for the Company that shall include all specifications established by law and any others that the Board of Directors deems appropriate to include therein.

2. The approval of the Company’s Annual Corporate Governance Report must also be preceded by:
a) A report of the Corporate Social Responsibility Committee.
b) A report of the Audit and Risk Supervision Committee as regards information on the risk supervision systems.
c) A report of the Appointments Committee as regards information on the directors and senior officers.
d) A report of the Remuneration Committee as regards the remuneration of the directors and senior officers.

3. The Annual Corporate Governance Report of the Company shall be included in a separate section of the Management Report and shall therefore be approved together therewith and shall be made available to the shareholders together with the other documents relating to the Annual General Shareholders’ Meeting.

4. Public notice shall be given of the Annual Corporate Governance Report of the Company as provided in securities market rules and regulations.

Article 47.- Corporate Website
1. The Company maintains a corporate website, envisaged as an instrument for channelling its relations with shareholders and investors, as well as other stakeholders, 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 that the Board of Directors, through its secretary, deems appropriate.
   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.
   c) Full or summarised versions of the rules making up the current Corporate Governance System are published.
3. The structure of the corporate website shall be determined by the provisions of the General Corporate Governance Policy and the other internal rules of the Company.
4. Without prejudice to the foregoing, the secretary of the Board of Directors shall decide the information that must be included in the Company’s corporate website, and is responsible for the update thereof. The secretary of the Board of Directors shall report to the Board of Directors on the exercise of this power.

Chapter II. Relationships

Article 48.- Principle of 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.

Article 49.- Relationships with the Shareholders
1. The Board of Directors shall foster continuous and appropriate information for its shareholders, permanent contact therewith, and their involvement in corporate life, establishing the channels for participation through which the Company shall procure their engagement, with the appropriate guarantees and coordination mechanisms. In particular, it shall establish the appropriate channels to hear proposals that the shareholders may make in connection with the Company, in accordance with the law and the Corporate Governance System.
2. The Board of Directors shall facilitate exercise of their rights by the shareholders and the performance of the duties established by law and, to the extent applicable thereto, in the Company’s Corporate Governance System. In particular, the Board of Directors shall adopt appropriate measures to encourage maximum participation of the shareholders at the General Shareholders’ Meeting.
3. The Board of Directors, assisted by such senior officers as it deems appropriate, may organise meetings for the provision of information on the progress of the Company and of its Group with shareholders and investors.
4. In its relationships with the shareholders, the Board of Directors shall guarantee the application of the principle of equality of treatment of the shareholders who are in the same situation.
5. The Board of Directors may establish appropriate mechanisms for the regular exchange of information with those shareholders that are holders of a significant and stable financial interest in the Company, regardless of whether or not they are represented on its Board of Directors. These mechanisms shall in any event take into account the existence of potential conflicts of interest and may not involve the provision to such shareholders of any information that might place them in a privileged or advantageous position vis-à-vis the other shareholders.
6. All public requests for delegation of voting powers made in favour of any director shall disclose, where applicable, the existence of a conflict of interest with the director or with a significant shareholder and shall specify the direc-
Article 50.- Relationships with the Securities Markets
1. The Board of Directors shall immediately inform the public regarding:
   a) Significant events (hechos relevantes).
   b) All changes in the Company’s ownership structure, such as fluctuations in significant direct or indirect interests and private shareholders’ agreements (pactos parasociales) of which the Board has had notice.
   c) All substantial amendments to the Company’s governance rules and regulations.
   d) The treasury share policy, if any, that the Company intends to pursue on the basis of approvals obtained from the shareholders at the General Shareholders’ Meeting.
   e) All changes to the composition and to the rules of organisation and operation of the Board of Directors and the committees thereof, or to the duties and positions of each director in the Company, as well as any other modification relevant to the Corporate Governance System.
2. The Board of Directors shall adopt appropriate measures to ensure that the semi-annual, quarterly, and any other financial information that it may be prudent to make available to the securities markets is prepared in accordance with the same principles, standards, and professional practices used to prepare the annual accounts and is as reliable as such accounts. For this latter purpose, such information shall be reviewed by the Audit and Risk Supervision Committee.
3. The Board of Directors shall prevent its conduct from influencing the free formation of the price of the securities issued by the Company and, if applicable, of the shares of the companies forming part of its Group.

Article 51.- Relationships with the Auditors
1. The Board of Directors shall establish an objective, professional, and ongoing relationship with the Company’s auditors, and shall have the utmost respect for their independence.
2. The Board of Directors shall meet with the auditors at least once per year in order to receive information regarding the work performed and regarding the accounting status and risks of the Company.
3. The relationship referred to in the preceding section shall be channelled, as a rule, through the Audit and Risk Supervision Committee.
4. The Audit and Risk Supervision Committee shall ensure that the fees of the auditors comply with the provisions of the laws on auditing of accounts.
5. The Audit and Risk Supervision Committee shall not submit a proposal to the Board of Directors, and the Board of Directors shall not submit a proposal to the shareholders at the General Shareholders’ Meeting, for appointment of an audit firm as the Company’s auditor if it has evidence that such firm is affected by any circumstance of lack of independence, prohibition, or disqualification pursuant to the legal provisions governing the audit of accounts, and in any event if the fees that the Company intends to pay it for any and all services are greater than five percent of its total domestic income during the last financial year.
6. The Board of Directors shall make public the fees that the Company has paid to the audit firm, both in consideration for audit services and for services other than auditing, specifying the fees paid to the auditors and those paid to any company forming part of the same group of companies to which the auditor belongs or to any other company to which the auditor is related under a relationship of joint ownership, management, or control.
7. The Board of Directors shall use its best efforts to definitively prepare the accounts such that there is no room for qualifications by the auditors. However, when the Board of Directors believes that its opinion must prevail, it shall provide a public explanation of the content and scope of the discrepancy.

Article 52.- Relationships with Senior Officers of the Company
Relations between the Board of Directors and the Company’s senior officers, as provided in these Regulations, must be channelled through the chairman of the Board of Directors or the chief executive officer or, in the absence thereof, through the secretary of the Board of Directors.
TITLE X. TRANSITIONAL PROVISIONS

Sole Transitional Provision. Renewal of the Board of Directors

Without prejudice to the provisions of the By-Laws, the following directors shall tender their resignation to the Board of Directors pursuant to the following schedule:

a) Mr Santiago Martínez Lage, Mr José Luis San Pedro Guerenabarrena, and Mr Braulio Medel Cámara, or those persons who may have been appointed on an interim basis to cover the vacancies thereof, shall tender their resignation to the Board of Directors at the first meeting it holds after the date on which each of them reaches the age of seventy years.

b) Mr Iñigo Víctor de Oriol Ibarra and Ms Inés Macho Stadler, or those persons who may have been appointed on an interim basis to cover the vacancies thereof, shall tender their resignation to the Board of Directors at the meeting during which it is resolved to call the Ordinary General Shareholders’ Meeting to be held in 2018.

Cessation in office of a director under the provisions of this transitional provision shall not give rise to the right to receive any severance payment for this reason.

The foregoing is deemed to be without prejudice to the power of the shareholders at the General Shareholders’ Meeting to remove the directors at any time in accordance with law.
III.

Regulations of the Audit and Risk Supervision Committee
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TITLE I. NATURE, OBJECT, AND APPROVAL

Article 1. Nature and Object
1. Pursuant to the Corporate Governance System of IBERDROLA, S.A. (the "Company"), the Board of Directors establishes the Audit and Risk Supervision Committee (hereinafter, the "Committee"), a permanent internal informational and consultative body without executive duties, with information, advisory, and proposal-making powers within its scope of action and which shall be governed by the provisions set forth in the By-Laws, in the Regulations of the Board of Directors, and in these Regulations of the Audit and Risk Supervision Committee (the "Regulations").
2. The object of these Regulations is to determine the guidelines for action and the rules of internal operation of the Committee, without prejudice to the powers of the committees or equivalent bodies that may exist at companies, whether or not listed, belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the "Group").
3. These Regulations have been prepared taking into account the good governance recommendations generally accepted in international markets and form part of the Corporate Governance System.

Article 2. Approval, Amendment, and Priority
1. These Regulations must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors, or of the Committee itself.
2. Any amendment hereof must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors, or of the Committee itself.
3. These Regulations further develop and supplement the provisions of the By-Laws and of the Regulations of the Board of Directors applicable to the Committee. The latter provisions shall prevail in the event of conflict with the former.

TITLE II. POWERS

Article 3. Powers
The Committee shall have the following main functions:
a) Conduct a periodic review of the Risk Policies and propose the amendment and update thereof to the Board of Directors.
b) Approve the auditor contracting policy establishing the procedure for the selection and contracting of the Company’s auditor, the relations therewith, the circumstances that might affect the independence thereof, and the instruments required to ensure the transparency of such relationship.
c) Report to the shareholders at the General Shareholders’ Meeting with respect to the matters raised therein by the shareholders on matters within its purview, and particularly with respect to the results of the audit of the annual accounts, explaining how it has contributed to the integrity of the financial information, and the role that the Committee has played in such process.
d) Monitor the effectiveness of internal control at the Company and within its Group, as well as of their systems for the management of risks.
e) Together with the auditors, analyse significant weaknesses in the internal control system detected during the audit, all without infringing upon the independence thereof. To this end, if appropriate, it may submit recommendations or proposals to the Board of Directors and the corresponding follow-up period.
f) Supervise the process of preparing and presenting regulated financial information relating to the Company, both individual and consolidated with its subsidiaries, reviewing compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting standards, and submit recommendations or proposals to the Board of Directors to safeguard the integrity thereof.
g) Propose to the Board of Directors for submission to the shareholders at a General Shareholders’ Meeting the appointment, re-election, or replacement of the auditors, as well as the terms for the hiring thereof, in accordance with applicable legal provisions, and regularly receive therefrom information regarding the audit plan and the implementation thereof, in addition to preserving the independence thereof in the performance of its duties.
h) Supervise the activities of the Internal Audit Area, which shall be functionally controlled by the Committee.
i) Authorise in advance the services other than auditing that the Company’s audit firm, or the persons or entities connected thereto pursuant to the provisions of the law on auditing of accounts, will provide to companies of the Group, as provided by law, after properly assessing the threats to independence that the provision of said services might entail and the protective measures applied to avoid them.
j) Establish appropriate relationships with the auditors to receive information regarding matters that might entail a threat to the independence thereof, for examination by the Committee, and any other information related to the development of the audit procedure, as well as such other communications as are provided for in the laws on auditing of accounts and in other legal provisions on auditing.

In any event, it must receive written confirmation from the auditors on an annual basis of their independence in relation to the Company or entities directly or indirectly related thereto, as well as a detailed breakdown of information on additional services of any kind provided to and the corresponding fees received from such entities by such auditors or persons or entities related thereto, pursuant to the legal provisions governing the auditing of accounts.

k) On an annual basis, prior to the audit report, issue a report containing an opinion on whether the independence of the auditors is compromised, which shall be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders’ Meeting. This report shall contain a reasoned assessment of the provision of each and every one of the additional services other than the legal audit referred to in the preceding letter, considered individually and as a whole, and in relation to the rules on independence or the legal provisions regarding the auditing of accounts.

l) Report in advance to the Board of Directors regarding the financial information that the Company must disclose on a regular basis because of its status as a listed company, making sure that the interim financial statements are prepared in accordance with the same accounting standards as the annual accounts and, for such purpose, it shall consider the appropriateness of a limited review by the auditors.

m) Report to the Board of Directors, prior to the Board’s decision thereon, regarding the creation or acquisition of interests in special purpose entities or entities registered in countries or territories that are considered to be tax havens.

n) Report to the Board of Directors, prior to the Board’s decision thereon, regarding the creation or acquisition of interests in special purpose entities as well as regarding any other transactions or operations of a similar nature that, due to the complexity thereof, might diminish the transparency of the Group.

By way of exception, the transactions described in letters l) and m) above shall not be subject to a prior report from this Committee when they are carried out by listed country subholding companies of the Group or subsidiaries thereof.

a) Report on the structural modifications and corporate transactions to be undertaken by the Company, analysing the economic terms and conditions thereof, including if appropriate the exchange ratio as well as the accounting impact thereof.

b) Report on the structural modifications and corporate transactions to be undertaken by the Company, analysing the economic terms and conditions thereof, including if appropriate the exchange ratio as well as the accounting impact thereof.

p) Issue such other reports and take such other actions as may also fall within its power pursuant to the Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

**Article 4. Powers regarding the Internal Audit Area**

In this regard, the Committee shall have the following main functions:

a) Ensure the independence and effectiveness of the Internal Audit Area and that it has sufficient resources and adequately qualified staff to carry out its duties most efficiently.

b) Approve the direction and plans of the Internal Audit Area, ensuring that it exercises its powers proactively and that its activities are mainly focused on significant risks to the Company and its Group, as well as receive periodic information regarding the activities carried out by the Internal Audit Area.

c) Verify, based on the corresponding reports of the Internal Audit Area, that senior officers take into account the conclusions and recommendations contained in its reports.

**Article 5. Powers regarding the Internal Control and Risk Management Systems**

In this regard, the Committee shall have the following main functions:

a) Directly supervise the unit vested with the power to actively participate in the preparation of the Company’s risk strategy and in significant decisions affecting the management thereof.

b) Continuously review the internal control and risk management systems, such that the principal risks are properly identified, managed, and reported.

c) Ensure that the Group’s risk control and management system identifies at least:

   (i) The different types of risk (operational, technological, financial, legal, reputational, etc.) facing the Company, including among financial or economic risks, contingent liabilities and other off-balance sheet risks.

   (ii) The establishment and review of the risk map and levels that the Company deems acceptable.

   (iii) The measures planned in order to mitigate the impact of identified risks in the event that they materialise.
(iv) The information and internal control systems that will be used to monitor and manage the aforementioned risks, including contingent liabilities and other off-balance sheet risks.

d) Maintain appropriate relationships with the Corporate Risk Division and with the audit and risk supervision committees of the other companies of the Group.

e) Report in advance on the risks of the Group to be included in the Company’s Annual Corporate Governance Report and give notice thereof to the Board of Directors, through the Corporate Social Responsibility Committee, for an assessment of its conclusions.

**Article 6. Powers regarding Auditing**

In this regard, the Committee shall have the following main functions:

- a) Approve, periodically review, and ensure compliance with the **Auditor Contracting and Relations Policy** and relations with the auditor.

- b) Propose to the Board of Directors the appointment, re-election or removal of the auditor of the accounts of the Company and of the accounts of the Company consolidated with those of its Group, taking responsibility for the process followed for the selection thereof, pursuant to the provisions of law and the **Auditor Contracting and Relations Policy**.

- c) Guide and propose to the competent governance bodies the appointment, re-election, or removal of the auditors of the other companies of the Group, unless they have corporate governance rules similar to those of the Company that assign such duties of guidance and proposal-making to their respective audit and risk supervision committees or similar bodies.

- d) Ensure the independence of the auditors and that they are not affected by any circumstances of prohibition or disqualification and, for such purpose:
  
  - (i) Verify that the Company and the auditor comply with applicable regulations regarding the provision of services other than the auditing of accounts, the limits on the concentration of the auditor’s business, the rules on professional fees, and, in general, all other regulations established in order to ensure the independence of the auditors.
  
  - (ii) In the event of resignation of the auditor, examine the circumstances that may have given rise thereto.
  
  - (iii) Issue, on an annual basis and prior to the issuance of the audit report, a report setting forth an opinion on the independence of the auditors.

- e) Review the contents of the audit reports on the accounts and of the reports on the limited review of interim accounts, if any, as well as other mandatory reports to be prepared by the auditors, prior to the issuance thereof, in order to avoid qualified reports.

- f) Assess the results of each audit of accounts and supervise the response of senior officers to the recommendations made therein.

- g) Ensure that the auditor carrying out the audit of the annual accounts or of consolidated accounting documents assumes full responsibility for the audit report issued, even when the annual accounts of the companies in which the Company has an interest have been audited by other auditors.

- h) Act as a channel of communication between the Board of Directors and the auditors, causing them to hold an annual meeting with the Board of Directors to report thereto on the work performed and the accounting and risk status of the Company.

- i) Ensure that the Company reports a change of auditor to the National Securities Market Commission (Comisión Nacional del Mercado de Valores) as a significant event (hecho relevante) and reports on the potential existence of any disagreements with the outgoing auditor, and the nature thereof.

**Article 7. Powers regarding the Process of Preparing Economic and Financial Information**

In this regard, the Committee shall have the following main functions:

- a) Supervise the process of preparation and submission and the integrity of the economic and financial information relating to the Company and its Group, ensuring that the **Half-Yearly Financial Reports** and the quarterly management statements are prepared in accordance with the same accounting standards as the **Annual Financial Reports** and, for such purpose, it shall consider the appropriateness of a limited review of the Half-Yearly Financial Reports by the auditor.

- b) Ensure compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of such generally accepted accounting principles and international financial reporting standards as may be applicable with respect to the regulated economic and financial information relating to the Company and its Group.

- c) Evaluate any proposal made by senior officers regarding changes in accounting practices.
Article 8. Other Powers Entrusted to the Committee
The Committee shall also have the following functions:

a) Establish and supervise mechanisms whereby professionals and shareholders may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company, abiding in all cases by the rules and regulations on the protection of personal data and respecting the fundamental rights of the parties involved.

b) Conduct such investigations as may be necessary following third-party claims against the Company or in cases of irregular or improper conduct, in accordance with the provisions of the preceding letter.

c) Prior to the preparation of the annual accounts and to the filing of the Corporate Income Tax return, receive from the Company’s tax director, for transmittal to the Board of Directors, information on the tax guidelines used by the Company during the financial year and, in particular, on the level of compliance with the Corporate Tax Policy.

d) Based on the information received from the Company’s tax director, report to the Board of Directors on the tax policies applied and, in the case of transactions or matters that must be submitted to the Board of Directors for approval, regarding the tax consequences thereof when such consequences represent a significant issue.

TITLE III. COMPOSITION

Article 9. Composition and Positions

1. The 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, and at least one of them shall be appointed taking into account the knowledge and experience thereof in the areas of accounting, audit, and risk management. As a group, the members of the Committee shall have pertinent technical knowledge relating to the energy sector.

2. Without prejudice to the foregoing, the Board of Directors shall endeavour to ensure that the members of the Committee and, in particular, the chair thereof, have such expertise, qualifications, and experience in the areas of accounting, audit, or risk management as are required by the duties they are called upon to perform.

3. Within the aforementioned limits, the Committee may submit to the Board of Directors a proposal for amendment of the number of Committee members when it is deemed that such number will contribute to the more efficient operation of the Committee.

4. The Board of Directors shall appoint a chair of the Committee from among the independent directors forming part thereof, who must be a director with sufficient capacity and availability to provide greater dedication to the Committee than the rest of the members thereof.

5. The Board of Directors shall also appoint a secretary of the Committee, who need not be a director.

Article 10. Term of Office

1. Committee members shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

2. The chair of the Committee shall hold office for a maximum period of four years, after which period the director who has held office as such may not be re-elected as chair of the Committee 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.

3. Committee members who are re-elected as directors of the Company by resolution of the shareholders at a General Shareholders’ Meeting shall continue in their positions on the Committee, without the need for a new election, unless the Board of Directors resolves otherwise.

Article 11. Withdrawal

Committee members shall withdraw from office:

a) When they cease to be directors of the Company.

b) When they cease to be external directors, even if they continue as directors of the Company.

c) When they become members of the Executive Committee.

d) Upon expiration of the maximum term for which they were appointed without being re-elected.

e) By resolution of the Board of Directors.
TITLE IV. MEETINGS

Article 12. Meetings
1. The Committee shall meet as many times as the chair thereof deems is necessary to exercise the powers entrusted thereto.
2. The Committee must also meet when so requested by a minimum of two of its members.
3. The chairman of the Board of Directors and the chief executive officer may request informational meetings with the Committee on an exceptional basis.

Article 13. Call to Meeting
1. The secretary of the Committee shall, by order of the chair thereof, call the Committee to meeting at least eight days in advance thereof, except in the case of urgent meetings.
2. The call to meeting shall be carried out by any means allowing for receipt thereof and shall include the agenda for the meeting.
3. No prior call to a meeting of the Committee shall be required when all of its members are present and unanimously agree to the holding of the meeting and to the items of the agenda to be dealt with.

Article 14. Place of the Meeting
1. Meetings of the Committee shall be held at the place designated in the call to meeting.
2. Meetings of the Committee may be held in several places connected to each other by a system that permits the recognition and identification of the attendees, permanent communication among them, and participation in discussion and the casting of votes, all in real time.
3. The members of the Committee in attendance at any of such interconnected places shall be deemed to have attended the same meeting of the Committee for all purposes. The meeting shall be deemed to have been held where the largest number of Committee members is located and, if they are in equal numbers, where the chairman or whoever performs the duties thereof is located.

Article 15. Establishment of a Quorum
1. A valid quorum for Committee meetings shall be established with the attendance, in person or by proxy, of a majority of its members.
2. The chair of the Committee shall preside over the meeting. In the event of the vacancy, illness, incapacity, or absence of the chair of the Committee, the meeting shall be chaired by the director having the longest length of service on the Committee, and if equal lengths of service, by the oldest.
3. The secretary of the Committee shall act as secretary for the meeting. In the event of vacancy, illness, incapacity, or absence of the secretary of the Committee, the person appointed by the Committee for such purpose shall act as secretary.
4. Committee members may give a proxy to another member by notice delivered by any of the means set forth in article 13 above, addressed to the secretary of the Committee and including the terms on which the proxy is given. However, they may not give a proxy in connection with matters affecting them personally or regarding which they are involved in a conflict of interest situation.

Article 16. Resolutions
1. Resolutions of the Committee shall be adopted by an absolute majority of the votes of the members present at the meeting in person or by proxy. In the event of a tie, the chair of the Committee shall have the tie-breaking vote.
2. All resolutions adopted shall be recorded in minutes signed by the chair and the secretary of the Committee or by the persons acting in their stead. They shall be approved at the same meeting or at the meeting held immediately thereafter, shall be made available to all of the directors, and shall be entered in a book of minutes of the Committee.

Article 17. Conflicts of Interest
When matters to be dealt with at a meeting of the Committee directly affect one of its members or persons related thereto and, in general, when such member is subject to a conflict of interest situation (upon the terms established in the Regulations of the Board of Directors), such member must leave the meeting until a decision is made, and such member shall be subtracted from the number of Committee members for purposes of calculating the quorum and majorities with respect to the matter at hand.
Article 18. Attendance
1. At the request of the chair of the Committee, addressed for such purpose to the chairman of the Board of Directors, any director may be asked to attend the meetings thereof. The chair of the Committee may also request, through the secretary of the Board of Directors and without prejudice to the provisions of article 24.4 below, the attendance of any director, officer, or employee of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto.
2. Persons who are not members of the Committee may not attend meetings thereof when the matters dealt with are outside the scope of the powers or duties of such persons.
3. The Committee may request the presence at its meetings of both the Company’s auditor as well as the auditor of any entity within the Group, provided that there is no legal impediment thereto.

TITLE V. RELATIONSHIPS

Article 19. Relationship with the General Shareholders’ Meeting
1. The Committee shall report to the shareholders at the General Shareholders’ Meeting with respect to the matters raised therein by the shareholders on matters within its purview, and particularly with respect to the results of the audit of the annual accounts, explaining how it has contributed to the integrity of the financial information, and the role that the Committee has played in such process.
2. The report on the activities of the Committee mentioned in the following article shall be made available to the shareholders and investors on occasion of the call to the Annual General Shareholders’ Meeting.

Article 20. Relationship with the Board of Directors
1. The chair of the Committee shall inform the Board of Directors, at the next meeting thereof following the meetings of the committee, of the matters dealt with and the resolutions adopted during its meetings.
2. In addition, within three months following the close of each financial year, the Committee shall submit to the Board of Directors for approval a report detailing its work for the prior financial year, which shall be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders’ Meeting.

Article 21. Relationship with the Internal Audit Area
1. The chairman of the Board of Directors shall propose to the Committee the selection, appointment, and removal of the director of the Internal Audit Area. The Committee shall, if applicable, submit to the Board of Directors for approval a proposal supported by the corresponding report.
2. The chairman of the Board of Directors, based on the proposal made by the Committee, shall propose to the Board of Directors the approval of the Basic Internal Audit Regulations as well as the budget for the Internal Audit Area.
3. The Committee shall guide and supervise the activities of the Internal Audit Area. For such purpose, it shall approve an annual plan, which shall be submitted thereto by the director of the Internal Audit Area, and shall follow up on its recommendations. In this regard, the director of the Internal Audit Area shall directly report to the Committee on any issues occurring during the execution of its annual work plan and shall submit thereto an activities report at the end of each financial year.
4. In addition to the responsibilities inherent in its role, the Internal Audit Area shall be the customary body for communication between the Committee and the rest of the Company’s organisation (without prejudice to the provisions of the following article) and shall be responsible for preparing the information required at meetings, which the director of the Internal Audit Area shall attend if the Committee deems it appropriate, but in any case without prejudice to the provisions of article 18.2 above.

Article 22. Relationship with the Corporate Risk Division
In addition to the responsibilities inherent in its role, the Corporate Risk Division shall be the customary body for communication with the Committee and the rest of the Company’s organisation on specific risk matters, and shall be responsible for preparing the information required on these issues at meetings, which the director of the Corporate Risk Division shall attend if the Committee deems it appropriate, but in any case without prejudice to the provisions of article 18.2 above.
Article 23. Relationship with the Auditor

1. The Committee shall propose to the Board of Directors, for submission of the proposal to the shareholders at a General Shareholders’ Meeting, the selection, appointment, re-election, and replacement of the Company’s auditor. In addition, the Committee shall make a proposal to the Board of Directors regarding the contractual terms under which the auditor should be hired.

2. The Committee shall not submit a proposal to the Board of Directors, and the Board of Directors shall not submit a proposal to the shareholders at the General Shareholders’ Meeting, for appointment of an audit firm as the Company’s auditor if it has evidence that such firm is affected by any circumstance of lack of independence, prohibition, or disqualification pursuant to the legal provisions governing the audit of accounts, and in any event if the fees that the Company intends to pay it for any and all services are greater than five percent of its total domestic income during the last financial year.

3. The Committee shall regularly receive from the auditor information regarding the audit plan and the results of the implementation thereof, shall follow up on all recommendations proposed by the auditor, and may require its cooperation whenever it deems it necessary.

4. The Committee shall request of the auditor, on an annual basis, a certificate of independence of the firm as a whole and of the team members participating in the process of auditing the annual accounts of the Group, as well as information regarding additional services of any kind provided by the auditors or by persons related thereto pursuant to the provisions of the laws on auditing of accounts. In addition, the Committee shall monitor the application of the quality assurance and independence safeguarding internal procedures implemented by the auditor.

5. The Committee must authorise any hiring of the auditor for any services other than the audit of the annual accounts prior to the approval thereof by the relevant body.

6. The Committee shall receive information on the hiring by any of the companies of the Group of professionals coming from any of the Group’s audit firms.

Article 24. Relationship with the Audit Committees of Other Companies of the Group

1. For the proper discharge of the duties assigned to the Committee in these Regulations, and with due regard to the scope of action of such Committee, the Board of Directors, at the proposal of the Committee, shall establish the general framework of relations of coordination and information with the audit committees that may be established at companies belonging to the Group, taking into account for such purpose the special characteristics that may derive from the status as listed company or consideration under law as a public utility, nationality, or any other circumstances that may affect specific companies of the Group.

2. This coordination and information relationship shall be channelled through the chairs of the audit committees of the Company and of the relevant company belonging to the Group, with the purpose of informing the Committee of the matters handled by such committees that might have a potentially significant impact on the Group.

3. The audit committees established at other companies of the Group must have their own regulations defining the guidelines for action and the rules of internal operation thereof, and whose scope, in compliance with the level of guarantees required by the Corporate Governance System as well as with the principles of coordination and information that must govern the relationships among the audit committees of companies established at companies of the Group for the proper discharge of their duties, must be in agreement with the contents of these Regulations, without prejudice to any amendments that may be required taking into account the circumstances of each company.

4. Any information from or appearance by any officer, employee, or director of any company belonging to the Group with an audit committee that is requested by the Committee in the performance of its duties shall be processed and carried out through the audit committee of the affected company, whose chair shall report directly to the chair of the Committee.

5. The audit committees established at other companies of the Group shall ensure the independence and effectiveness of their respective internal audit areas.

6. For the performance of the duties assigned to the Committee in these Regulations in connection with the Internal Audit Area, the director of the Internal Audit Area of the Company shall establish the appropriate framework of relations of coordination and information with the internal audit areas of the other companies of the Group.
TITLE VI. POWERS OF THE COMMITTEE AND DUTIES OF ITS MEMBERS

Article 25. Powers and Advice
1. The Committee may, through the secretary of the Board of Directors, freely access any information or documents available at the Company relating to the matters that are within the Committee’s area of authority and that it deems necessary to perform its duties.
2. The Committee may also seek, at the Company’s expense, cooperation or advice from outside professionals, who shall address their reports directly to the chair of the committee. In such case, the Committee shall ensure that potential conflicts of interest do not prejudice the independence of the outside advice received.

Article 26. Duties of Committee Members
1. Committee members must act with independence of judgement and action with respect to the rest of the organisation and perform their work with the utmost diligence and professional competence.
2. Committee members are subject as such to all of the duties of a director set forth in the Regulations of the Board of Directors, to the extent they are applicable to the responsibilities discharged by the Committee.

TITLE VII. COMPLIANCE, DISSEMINATION, AND INTERPRETATION

Article 27. Compliance and Dissemination
1. The members of the Committee, as well as the other members of the Board of Directors to the extent they are affected, have the obligation to know and comply with these Regulations, for which purpose the secretary of the Board of Directors shall post them on the directors’ website and on the Company’s corporate website.
2. In addition, the Committee shall have the obligation to ensure compliance with these Regulations and to adopt appropriate measures for the required dissemination thereof among the rest of the organisation.

Article 28. Interpretation
1. These Regulations shall be interpreted in accordance with law and the Corporate Governance System.
2. Any question or dispute regarding the interpretation of these Regulations shall be resolved by the Committee itself, and in the absence of such resolution, by the chair of the Committee, who shall be assisted by such persons, if any, as may be appointed by the Board of Directors for such purpose. The Board of Directors shall be informed of the interpretation and resolution of the questions or disputes that may have arisen.
3. In the absence of a specific rule, the provisions of the Regulations of the Board of Directors regarding the operation of the Board and, in particular, those regarding the call to meetings, granting of a proxy to another director, establishment of a quorum, meetings without prior notice, proceedings at meetings and system for adopting resolutions, casting of votes in writing and without a meeting, and approval of the minutes of meetings, shall apply to the Committee to the extent that they are not inconsistent with the nature thereof.
IV.

Regulations of the Appointments Committee

6 April 2016
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TITLE I. NATURE, OBJECT, AND APPROVAL

Article 1. Nature and Object
1. Pursuant to the Corporate Governance System of IBERDROLA, S.A. (the “Company”), the Board of Directors establishes the Appointments Committee (the “Committee”), a permanent internal informational and consultative body without executive duties, with information, advisory, and proposal-making powers within its scope of action and which shall be governed by the provisions set forth in the By-Laws, in the Regulations of the Board of Directors, and in these Regulations of the Appointments Committee (the “Regulations”).
2. The object of these Regulations is to determine the guidelines for action and the rules of internal operation of the Committee, without prejudice to the powers of the committees or equivalent bodies that may exist at companies, whether or not listed, belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”).
3. These Regulations have been prepared taking into account the good governance recommendations generally accepted in international markets and form part of the Corporate Governance System.

Article 2. Approval, Amendment, and Priority
1. These Regulations must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors, or of the Committee itself.
2. Any amendment hereof must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors, or of the Committee itself.
3. These Regulations further develop and supplement the provisions of the By-Laws and of the Regulations of the Board of Directors applicable to the Committee. The latter provisions shall prevail in the event of conflict with the former.

TITLE II. POWERS

Article 3. Powers regarding the Composition of the Board of Directors and of the Committees thereof and regarding the Process of Designation of Internal Positions of the Board of Directors and Senior Officers
In this regard, the Committee shall have the following main functions:

a) Advise the Board of Directors regarding the most appropriate configuration thereof and of its committees as regards size and equilibrium among the various classes of directors existing at any time. For such purpose, the Committee shall review the structure of the Board of Directors and of its committees on a regular basis, particularly when vacancies occur within such bodies.

b) Report on and review the criteria that should be followed in composing the Board of Directors and in selecting candidates, and particularly the necessary competence, knowledge, and experience, and assess the time and dedication required for the proper performance of their work. In the exercise of this power, the Committee shall take into account, regarding non-executive directors, the relation between the number of proprietary directors and the number of independent directors, such that the composition of the Board of Directors reflects, as far as possible, the ratio of the Company’s voting share capital represented by proprietary directors to the rest of the share capital.

c) Ensure that the persons to be appointed to the office of director by means of any procedure meet the requirements of respectability, capability, expertise, competence, experience, qualifications, training, availability, and commitment to their duties and that they are not affected, directly or indirectly, by any of the instances of disqualification from or prohibition against holding office or by having interests in conflict with or contrary to the corporate interest set forth in provisions of a general nature or in the Corporate Governance System; in so doing, the Committee shall endeavour to ensure that the selection of candidates provides adequate equilibrium to the Board of Directors as a whole, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters dealt with.

d) Periodically review and propose amendments to the Director Candidate Selection Policy, verify compliance therewith on an annual basis, and report thereon in the Annual Corporate Governance Report.

e) Ensure that when new vacancies are filled or new directors are appointed, the selection procedures are free from any implied bias entailing any kind of discrimination and, in particular, from any bias that may hinder the selection of female directors.
f) Establish a goal for representation by the less represented gender on the Board of Directors and prepare guidance on how to reach this objective.

g) Report on and make proposals regarding the appointment or removal of the members that must make up each of the committees, verifying and confirming compliance with the requirements of expertise, ability, and experience in connection with the powers of the committee in question and, in particular, those of the Audit and Risk Supervision Committee.

h) Report on proposals relating to the appointment or removal of the chairman of the Board of Directors.

i) Report on proposals made by the chairman of the Board of Directors regarding the appointment or removal of the chief executive officer.

j) Examine and organise the succession of the chairman of the Board of Directors and of the chief executive of the Company and, if applicable, make proposals to the Board of Directors for the succession to occur in an orderly and well-planned fashion, in accordance with the succession plan approved by the Board of Directors.

k) Report on proposals from the chairman of the Board of Directors regarding the appointment or removal of the vice-chairman or vice-chairmen of the Board of Directors.

l) Submit to the Board of Directors a proposal for the appointment of a lead independent director \( (\text{consejero coordinador}) \) with the powers set forth in the Regulations of the Board of Directors in the event that the chairman of the Board of Directors performs executive duties, and report on proposals for removal of such director.

m) Report on proposals from the chairman of the Board of Directors regarding the appointment or removal of the secretary, and of the deputy secretary or deputy secretaries, if any, of the Board of Directors, the general secretary, and the counsel.

n) Supervise the process of selecting candidates for senior officers of the Company and report on the proposals of the Company’s chief executive regarding the appointment or removal of the senior officers.

o) Assess and propose improvements in the design of the officer training and monitoring plan referred to in the General Corporate Governance Policy.

p) Report on or prepare the Company’s proposals regarding the appointment or removal of the independent directors of the unlisted country subholding companies as well as of the companies within the Group whose direct or indirect owner is not a country subholding company. This duty shall be exercised within legal limits and within the framework of coordinating the interests of the Company and those of the companies within the Group, as well as those of the main companies in which it has an interest.

q) Obtain from the chairman of the Board of Directors and from the chief executive officer the information required for the exercise of its powers regarding the directors at the companies within the Group and at those in which it has an interest, without prejudice to respecting the independence and uniqueness of those that are listed companies upon the terms set forth above.

r) Issue such other reports and take such other actions as may also fall within its power pursuant to the Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

Article 4. Powers regarding the Selection of Candidates for Director

In this regard, the Committee shall have the following main functions:

a) Review the criteria for selecting candidates for director and assist the Board of Directors in defining the profiles to be met by such candidates, taking into account the needs of the Board of Directors and based on the areas of the Board that require reinforcement, and ensuring that the selection procedures are free from any implied bias entailing any kind of discrimination and, in particular, from any bias that may hinder the selection of female directors.

b) Select possible candidates who might be appointed as directors of the Company and present its proposals or reports, as the case may be, to the Board of Directors through its chairman.

c) Verify that all candidates for director of the Company meet the general requirements provided by law and the Company’s Corporate Governance System.

d) Evaluate the qualities of the various candidates and assign them to one of the categories of directors contemplated in the By-Laws.

e) Bring proposed appointments of independent directors to the Board of Directors for appointment on an interim basis to fill a vacancy or for submission to a decision by the shareholders at a General Shareholders’ Meeting.
f) Verify compliance with the specific requirements for independent directors provided by law and the Corporate Governance System, and gather adequate information regarding their personal qualities, experience, knowledge, and effective availability.

g) At the request of the chairman of the Board of Directors or any other member of the Board of Directors, report on the proposed appointment of other directors for appointment on an interim basis to fill a vacancy or for submission to a decision by the shareholders at a General Shareholders’ Meeting.

h) Report on proposals made by corporate directors regarding their individual representatives.

i) Report, in the case of proprietary directors, on the situation of the shareholder or shareholders that propose, request, or decide upon the appointment of such directors, whatever the method and procedure for appointment, to the extent legally possible.

j) Request any information and documentation that it deems necessary or appropriate of the candidates for director, the individuals that are to represent corporate directors, and in the case of proprietary directors, the shareholders that propose, request, or decide upon the appointment thereof, in order to prepare the proposals and reports referred to in the preceding sub-sections.

k) Verify the information contained in the Annual Corporate Governance Report regarding the reasons for which proprietary directors have been appointed at the request of shareholders with a shareholding interest of less than three per cent of the share capital of the Company, or for which there has been a failure to respond to formal requests for a presence on the Board of Directors by shareholders with a shareholding interest equal to or greater than that of others at whose request proprietary directors have been appointed.

Article 5. Powers regarding the Evaluation and Re-election of Directors

In this regard, the Committee shall have the following main functions:

a) Establish and supervise an annual programme for continuous evaluation and review of the qualifications, training, and, if applicable, independence, as well as of ongoing compliance with the requirements of respectability, capability, expertise, competence, availability, and commitment to their duties that must be satisfied in order to serve as director and as a member of a particular committee, and propose to the Board of Directors such measures as it deems advisable in this regard, with the power to collect any information or documentation that it deems necessary or appropriate for such purposes.

b) Participate in the annual process of evaluation of performance of the chairman of the Board of Directors and of the chief executive officer pursuant to the provisions of the Corporate Governance System.

c) Examine, prior to the end of the term for which a director has been appointed, the advisability of the director’s re-election, as well as the director’s continuance, if applicable, on the committees of the Board of Directors of which such director is a member.

d) Verify that the director to be re-elected continues to comply with the general requirements applicable to all directors of the Company pursuant to law and the Company’s Corporate Governance System, as well as evaluate the quality of work and dedication to office of the director in question during the preceding term of office and, specifically, such director’s respectability, capability, expertise, competence, experience, qualifications, availability, and commitment to the duties entrusted thereto.

e) Submit to the Board of Directors, once the procedures described in the preceding sub-sections have been completed, its proposal (in the case of independent directors) or report (in the case of the other directors) regarding the re-election of directors.

Article 6. Powers regarding the Removal and Withdrawal of Directors

In this regard, the Committee shall have the following main functions:

a) Inform the Board of Directors regarding proposed removals due to breach of the duties inherent to the position of director or due to a director becoming affected by supervening circumstances of mandatory resignation or withdrawal.

b) Receive and analyse the decisions of the Compliance Unit regarding irregularities or acts contrary to law or the rules of the Corporate Governance System that affect members of the Board of Directors, and propose the admonishment or removal thereof or any other measure deemed appropriate based on the conclusions reached in preparing the investigative file.

c) Propose the removal of directors in the event of disqualification, structural conflict of interest, or any other reason for resignation or withdrawal, pursuant to law or the Corporate Governance System.
d) For the purposes set forth in the preceding sub-sections, request through the chairman of the Board of Directors the information or documents it deems necessary or appropriate of the directors, the individuals that are to represent the corporate directors and, in the case of proprietary directors, the shareholders that have proposed, requested, or decided upon the appointment thereof.

**Article 7. Other Powers Entrusted to the Committee**

The Committee shall also have the following functions:

a) Report in advance to the Board of Directors regarding the matters within its purview under title VIII of the Regulations of the Board of Directors.

b) Report to the Board of Directors or, in urgent cases, to the Executive Committee, prior to the approval thereof, regarding transactions that the Company or the companies forming part of its Group are going to carry out with the directors or with shareholders that hold an interest legally considered as significant at any time or that have proposed the appointment of any of the directors of the Company, or with their respective related persons. As an exception, the transactions between the persons mentioned above and the listed companies of the Group or their subsidiaries shall not be subject to a prior report from this Committee when such listed companies have corporate governance rules similar to those of the Company that provide that such transactions shall fall within the purview of their own corporate decision-making bodies.

c) Ensure that the transactions mentioned in the letter above are conducted under arm’s length conditions and with due observance of the principle of equal treatment of shareholders.

d) Within the first three months following the close of each financial year of the Company, prepare and make available to the shareholders through the Company’s corporate website on occasion of the call to the General Shareholders’ Meeting, a report on the transactions referred to in letter b) above.

**TITLE III. COMPOSITION**

**Article 8. Composition and Positions**

1. The 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 Committee, from among the non-executive directors, and the majority thereof must be classified as independent.

2. The Board of Directors shall endeavour to ensure that the members of the Committee have such expertise, qualifications, and experience as are required by the duties they are called upon to perform.

3. Within the aforementioned limits, the Committee may submit to the Board of Directors a proposal for amendment of the number of Committee members when it is deemed that such number will contribute to the more efficient operation of the Committee.

4. The Board of Directors shall appoint a chair of the Committee from among the independent directors forming part thereof, who must be a director with sufficient capacity and availability to provide greater dedication to the Committee than the rest of the members thereof.

5. The Board of Directors shall also appoint a secretary of the Committee, who need not be a director.

**Article 9. Term of Office**

1. Committee members shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

2. Committee members who are re-elected as directors of the Company by resolution of the shareholders at a General Shareholders’ Meeting shall continue in their positions on the Committee, without the need for a new election, unless the Board of Directors resolves otherwise.

**Article 10. Withdrawal**

Committee members shall cease to hold office:

a) When they cease to be directors of the Company.

b) When they cease to be non-executive directors, even if they continue as directors of the Company.
c) Upon expiration of the maximum term for which they were appointed without being re-elected.
d) By resolution of the Board of Directors.

TITLE IV. MEETINGS

Article 11. Meetings
1. The Committee shall meet as many times as the chair thereof deems it necessary to exercise the powers entrusted thereto.
2. The Committee must also meet when so requested by a minimum of two of its members.
3. The chairman of the Board of Directors and the chief executive officer may request informational meetings with the Committee on an exceptional basis.

Article 12. Call to Meeting
1. The secretary of the Committee shall, by order of the chair thereof, call the Committee to meeting at least eight days in advance thereof, except in the case of urgent meetings.
2. The call to meeting shall be carried out by any means allowing for receipt thereof and shall include the agenda for the meeting.
3. No prior call to a meeting of the Committee shall be required when all of its members are present and unanimously agree to the holding of the meeting and to the items of the agenda to be dealt with.

Article 13. Place of the Meeting
1. Meetings of the Committee shall be held at the place designated in the call to meeting.
2. Meetings of the Committee may be held in several places connected to each other by a system that permits the recognition and identification of the attendees, permanent communication among them, and participation in discussion and the casting of votes, all in real time.
3. The members of the Committee in attendance at any of such interconnected places shall be deemed to have attended the same meeting of the Committee for all purposes. The meeting shall be deemed to have been held where the largest number of Committee members is located and, if they are in equal numbers, where the chairman or whoever performs the duties thereof is located.

Article 14. Establishment of a Quorum
1. A valid quorum for Committee meetings shall be established with the attendance, in person or by proxy, of a majority of its members.
2. The chair of the Committee shall preside over the meeting. In the event of the vacancy, illness, incapacity, or absence of the chair of the Committee, the meeting shall be chaired by the director having the longest length of service on the Committee, and if equal lengths of service, by the oldest.
3. The secretary of the Committee shall act as secretary for the meeting. In the event of vacancy, illness, incapacity, or absence of the secretary of the Committee, the person appointed by the Committee for such purpose shall act as secretary.
4. Committee members may give a proxy to another member by notice delivered by any of the means set forth in article 13 above, addressed to the secretary of the Committee and including the terms on which the proxy is given. However, they may not give a proxy in connection with matters affecting them personally or regarding which they are involved in a conflict of interest situation.

Article 15. Resolutions
1. Resolutions of the Committee shall be adopted by an absolute majority of the votes of the members present at the meeting in person or by proxy. In the event of a tie, the chair of the Committee shall have the tie-breaking vote.
2. All resolutions adopted shall be recorded in minutes signed by the chair and the secretary of the Committee or by the persons acting in their stead. They shall be approved at the same meeting or at the meeting held immediately thereafter, shall be made available to all of the directors, and shall be entered in a book of minutes of the Committee.
3. The Committee shall consult the chairman of the Board of Directors and the chief executive of the Company prior to adopting resolutions on matters relating to the executive directors.
Article 16. Conflicts of Interest
When matters to be dealt with at a meeting of the Committee directly affect one of its members or persons related thereto and, in general, when such member is subject to a conflict of interest situation (upon the terms established in the Regulations of the Board of Directors), such member must leave the meeting until a decision is made, and such member shall be subtracted from the number of Committee members for purposes of calculating the quorum and majorities with respect to the matter at hand.

Article 17. Attendance
1. At the request of the chair of the Committee, addressed for such purpose to the chairman of the Board of Directors, any director may be asked to attend the meetings thereof. The chair of the Committee may also request, through the secretary of the Board of Directors, the attendance of any director, officer, or employee of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto.
2. Persons who are not members of the Committee may not attend meetings thereof when the matters dealt with are outside the scope of the powers or duties of such persons.

Title V. Powers of the Committee and Duties of Its Members

Article 18. Powers and Advice
1. The Committee may, through the secretary of the Board of Directors, freely access any information or documents available at the Company relating to the matters that are within the Committee’s area of authority and that it deems necessary to perform its duties.
2. The Committee may also seek, at the Company’s expense, cooperation or advice from outside professionals, who shall address their reports directly to the chair of the committee. In such case, the Committee shall ensure that potential conflicts of interest do not prejudice the independence of the outside advice received.

Article 19. Duties of Committee Members
1. Committee members must act with independence of judgement and action with respect to the rest of the organisation and perform their work with the utmost diligence and professional competence.
2. Committee members are subject as such to all of the duties of a director set forth in the Regulations of the Board of Directors, to the extent they are applicable to the responsibilities discharged by the Committee.

Article 20. Information to the Board of Directors
1. The chair of the Committee shall inform the Board of Directors, at the next meeting thereof following the meetings of the committee, of the matters dealt with and the resolutions adopted during its meetings.
2. In addition, within three months following the close of each financial year, the Committee shall submit to the Board of Directors for approval a report detailing its work for the prior financial year, which shall be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders’ Meeting.

Title VI. Compliance, Dissemination, and Interpretation

Article 21. Compliance and Dissemination
1. The members of the Committee, as well as the other members of the Board of Directors to the extent they are affected, have the obligation to know and comply with these Regulations, for which purpose the secretary of the Board of Directors shall post them on the directors’ website and on the Company’s corporate website.
2. In addition, the Committee shall have the obligation to ensure compliance with these Regulations and to adopt appropriate measures for the required dissemination thereof among the rest of the organisation.

Article 22. Interpretation
1. These Regulations shall be interpreted in accordance with law and the Corporate Governance System.
2. Any question or dispute regarding the interpretation of these Regulations shall be resolved by the Committee itself, and in the absence of such resolution, by the chair of the Committee, who shall be assisted by such persons, if any, as may be appointed by the Board of Directors for such purpose. The Board of Directors shall be informed of the interpretation and resolution of the questions or disputes that may have arisen.
3. In the absence of a specific rule, the provisions of the *Regulations of the Board of Directors* regarding the operation of the Board and, in particular, those regarding the call to meetings, granting of a proxy to another director, establishment of a quorum, meetings without prior notice, proceedings at meetings and system for adopting resolutions, casting of votes in writing and without a meeting, and approval of the minutes of meetings, shall apply to the Committee to the extent that they are not inconsistent with the nature thereof.
Regulations of the Remuneration Committee

V.

6 April 2016

Regulations of the Remuneration Committee
Title I. Nature, Object, and Approval

Article 1. Nature and Object

Article 2. Approval, Amendment, and Priority

Title II. Powers

Article 3. Powers

Title III. Composition

Article 4. Composition and positions

Article 5. Term of Office

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Article 16. Information to the Board of Directors

Title VI. Compliance, Dissemination, and Interpretation

Article 17. Compliance and Dissemination

Article 18. Interpretation
TITLE I. NATURE, OBJECT, AND APPROVAL

Article 1. Nature and Object
1. Pursuant to the Corporate Governance System of IBERDROLA, S.A. (the “Company”), the Board of Directors establishes the Remuneration Committee (the “Committee”), a permanent internal informational and consultative body without executive duties, with information, advisory, and proposal-making powers within its scope of action and which shall be governed by the provisions set forth in the By-Laws, in the Regulations of the Board of Directors, and in these Regulations of the Remuneration Committee (the “Regulations”).
2. The object of these Regulations is to determine the guidelines for action and the rules of internal operation of the Committee, without prejudice to the powers of the committees or equivalent bodies that may exist at companies, whether or not listed, belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”).
3. These Regulations have been prepared taking into account the good governance recommendations generally accepted in international markets and form part of the Corporate Governance System.

Article 2. Approval, Amendment, and Priority
1. These Regulations must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors, or of the Committee itself.
2. Any amendment hereof must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors, or of the Committee itself.
3. These Regulations further develop and supplement the provisions of the By-Laws and of the Regulations of the Board of Directors applicable to the Committee. The latter provisions shall prevail in the event of conflict with the former.

TITLE II. POWERS

Article 3. Powers
The Committee shall have the following main functions:
a) Propose to the Board of Directors the policies on remuneration of the directors and senior officers and periodically review them, proposing any amendment and update thereof to the Board of Directors.
b) Propose to the Board of Directors the system and amount of annual director remuneration, as well as the individual remuneration of executive directors and other basic terms of their contracts, including any compensation or indemnification payable in the event of removal, in any event pursuant to the provisions of the Corporate Governance System and the director remuneration policy approved by the shareholders at the General Shareholders’ Meeting.
c) Prepare a mandatory report on the remuneration established for the independent directors of other companies of the Group before approval thereof by the competent corporate body, excluding those of the listed country subholding companies and the subsidiaries thereof.
d) Report on and submit to the Board of Directors the proposals of the Company’s chief executive regarding the structure of the remuneration payable to senior officers and the basic terms of their contracts.
e) Report on incentive plans and pension supplements for the Group’s workforce, excluding those of the listed country subholding countries and those of the subsidiaries thereof.
f) Conduct a periodic review of the general remuneration programmes for the Group’s workforce, evaluating the adequacy and results thereof.
g) Ensure compliance with the remuneration programmes of the Company and report on the documents to be approved by the Board of Directors for general dissemination regarding information on remuneration, including the Annual Director Remuneration Report and the applicable sections of the Company’s Annual Corporate Governance Report.

TITLE III. COMPOSITION

Article 4. Composition and Positions
1. The 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 classified as independent.
2. The Board of Directors shall endeavour to ensure that the members of the Committee have such expertise, qualifications, and experience as are required by the duties they are called upon to perform.

3. Within the aforementioned limits, the Committee may submit to the Board of Directors a proposal for amendment of the number of Committee members when it is deemed that such number will contribute to the more efficient operation of the Committee.

4. The Board of Directors shall appoint a chair of the Committee from among the independent directors forming part thereof, who must be a director with sufficient capacity and availability to provide greater dedication to the Committee than the rest of the members thereof.

5. The Board of Directors shall also appoint a secretary of the Committee, who need not be a director.

**Article 5. Term of Office**

1. Committee members shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

2. Committee members who are re-elected as directors of the Company by resolution of the shareholders at a General Shareholders’ Meeting shall continue in their positions on the Committee, without the need for a new election, unless the Board of Directors resolves otherwise.

**Article 6. Withdrawal**

Committee members shall cease to hold office:

a) When they cease to be directors of the Company.

b) When they cease to be non-executive directors, even if they continue as directors of the Company.

c) Upon expiration of the maximum term for which they were appointed without being re-elected.

d) By resolution of the Board of Directors.

**TITLE IV. MEETINGS**

**Article 7. Meetings**

1. The Committee shall meet as many times as the chair thereof deems is necessary to exercise the powers entrusted thereto.

2. The Committee must also meet when so requested by a minimum of two of its members.

3. The chairman of the Board of Directors and the chief executive officer may request informational meetings with the Committee on an exceptional basis.

**Article 8. Call to Meeting**

1. The secretary of the Committee shall, by order of the chair thereof, call the Committee to meeting at least eight days in advance thereof, except in the case of urgent meetings.

2. The call to meeting shall be carried out by any means allowing for receipt thereof and shall include the agenda for the meeting.

3. No prior call to a meeting of the Committee shall be required when all of its members are present and unanimously agree to the holding of the meeting and to the items of the agenda to be dealt with.

**Article 9. Place of the Meeting**

1. Meetings of the Committee shall be held at the place designated in the call to meeting.

2. Meetings of the Committee may be held in several places connected to each other by a system that permits the recognition and identification of the attendees, permanent communication among them, and participation in discussion and the casting of votes, all in real time.

3. The members of the Committee in attendance at any of such interconnected places shall be deemed to have attended the same meeting of the Committee for all purposes. The meeting shall be deemed to have been held where the largest number of Committee members is located and, if they are in equal numbers, where the chairman or whoever performs the duties thereof is located.
**Article 10. Establishment of a Quorum**

1. A valid quorum for Committee meetings shall be established with the attendance, in person or by proxy, of a majority of its members.

2. The chair of the Committee shall preside over the meeting. In the event of the vacancy, illness, incapacity, or absence of the chair of the Committee, the meeting shall be chaired by the director having the longest length of service on the Committee, and if equal lengths of service, by the oldest.

3. The secretary of the Committee shall act as secretary for the meeting. In the event of vacancy, illness, incapacity, or absence of the secretary of the Committee, the person appointed by the Committee for such purpose shall act as secretary.

4. Committee members may give a proxy to another member by notice delivered by any of the means set forth in article 9 above, addressed to the secretary of the Committee and including the terms on which the proxy is given. However, they may not give a proxy in connection with matters affecting them personally or regarding which they are involved in a conflict of interest situation.

**Article 11. Resolutions**

1. Resolutions of the Committee shall be adopted by an absolute majority of the votes of the members present at the meeting in person or by proxy. In the event of a tie, the chair of the Committee shall have the tie-breaking vote.

2. All resolutions adopted shall be recorded in minutes signed by the chair and the secretary of the Committee or by the persons acting in their stead. They shall be approved at the same meeting or at the meeting held immediately thereafter, shall be made available to all of the directors, and shall be entered in a book of minutes of the Committee.

3. The Committee shall consult the chairman of the Board of Directors and the chief executive of the Company prior to adopting resolutions on matters relating to the executive directors.

**Article 12. Conflicts of Interest**

When matters to be dealt with at a meeting of the Committee directly affect one of its members or persons related thereto and, in general, when such member is subject to a conflict of interest situation (upon the terms established in the Regulations of the Board of Directors), such member must leave the meeting until a decision is made, and such member shall be subtracted from the number of Committee members for purposes of calculating the quorum and majorities with respect to the matter at hand.

**Article 13. Attendance**

1. At the request of the chair of the Committee, addressed for such purpose to the chairman of the Board of Directors, any director may be asked to attend the meetings thereof. The chair of the Committee may also request, through the secretary of the Board of Directors, the attendance of any director, officer, or employee of the Group as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company, provided that there is no legal impediment thereto.

2. Persons who are not members of the Committee may not attend meetings thereof when the matters dealt with are outside the scope of the powers or duties of such persons.

**Title V. Powers of the Committee and Duties of Its Members**

**Article 14. Powers and Advice**

1. The Committee may, through the secretary of the Board of Directors, freely access any information or documents available at the Company relating to the matters that are within the Committee’s area of authority and that it deems necessary to perform its duties.

2. The Committee may also seek, at the Company’s expense, cooperation or advice from outside professionals, who shall address their reports directly to the chair of the committee. In such case, the Committee shall ensure that potential conflicts of interest do not prejudice the independence of the outside advice received.

**Article 15. Duties of Committee Members**

1. Committee members must act with independence of judgement and action with respect to the rest of the organisation and perform their work with the utmost diligence and professional competence.

2. Committee members are subject as such to all of the duties of a director set forth in the Regulations of the Board of Directors, to the extent they are applicable to the responsibilities discharged by the Committee.
**Article 16. Information to the Board of Directors**

1. The chair of the Committee shall inform the Board of Directors, at the next meeting thereof following the meetings of the committee, of the matters dealt with and the resolutions adopted during its meetings.

2. In addition, within three months following the close of each financial year, the Committee shall submit to the Board of Directors for approval a report detailing its work for the prior financial year, which shall be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders’ Meeting.

**TITLE VI. COMPLIANCE, DISSEMINATION, AND INTERPRETATION**

**Article 17. Compliance and Dissemination**

1. The members of the Committee, as well as the other members of the Board of Directors to the extent they are affected, have the obligation to know and comply with these Regulations, for which purpose the secretary of the Board of Directors shall post them on the directors’ website and on the Company’s corporate website.

2. In addition, the Committee shall have the obligation to ensure compliance with these Regulations and to adopt appropriate measures for the required dissemination thereof among the rest of the organisation.

**Article 18. Interpretation**

1. These Regulations shall be interpreted in accordance with law and the Corporate Governance System.

2. Any question or dispute regarding the interpretation of these Regulations shall be resolved by the Committee itself, and in the absence of such resolution, by the chair of the Committee, who shall be assisted by such persons, if any, as may be appointed by the Board of Directors for such purpose. The Board of Directors shall be informed of the interpretation and resolution of the questions or disputes that may have arisen.

3. In the absence of a specific rule, the provisions of the Regulations of the Board of Directors regarding the operation of the Board and, in particular, those regarding the call to meetings, granting of a proxy to another director, establishment of a quorum, meetings without prior notice, proceedings at meetings and system for adopting resolutions, casting of votes in writing and without a meeting, and approval of the minutes of meetings, shall apply to the Committee to the extent that they are not inconsistent with the nature thereof.
Regulations of the Corporate Social Responsibility Committee

VI.

21 June 2016
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TITLE I. NATURE, OBJECT, AND APPROVAL

Article 1. Nature and Object
1. Pursuant to the Corporate Governance System of IBERDROLA, S.A. (the “Company”), the Board of Directors establishes the Corporate Social Responsibility Committee (the “Committee”), a permanent internal informational and consultative body without executive duties, with information, advisory, and proposal-making powers within its scope of action and which shall be governed by the provisions set forth in the By-Laws, in the Regulations of the Board of Directors, and in these Regulations of the Corporate Social Responsibility Committee (the “Regulations”).
2. The object of the Regulations is to determine the guidelines for action and the rules of internal operation of the Committee, without prejudice to the powers of the committees or equivalent bodies that may exist at companies, whether or not listed, belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”).
3. These Regulations have been prepared taking into account the good governance recommendations generally accepted in international markets and form part of the Corporate Governance System.

Article 2. Approval, Amendment, and Priority
1. These Regulations must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, or of one-third of the directors, or of the Committee itself.
2. Any amendment hereof must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors, or of the Committee itself.
3. These Regulations further develop and supplement the provisions of the By-Laws and of the Regulations of the Board of Directors applicable to the Committee. The latter provisions shall prevail in the event of conflict with the former.

TITLE II. POWERS

Article 3. Powers regarding the Mission, Vision, and Values of the Iberdrola Group
The Committee has the duty of advising the Board of Directors, within the scope of its powers, on the approval and amendment of the Mission, Vision, and Values of the Iberdrola group.

Article 4. Powers regarding Corporate Social Responsibility and Sustainability
In this regard, the Committee shall have the following main functions:

a) Conduct a periodic review of the Social Responsibility Policies and propose the amendment and update thereof to the Board of Directors.

b) Analyse the expectations of stakeholders and endeavour to ensure that they are taken into account in formulating Social Responsibility Policies and supervise and assess the application of the Stakeholder Relations Policy.

c) Report on the annual sustainability report prior to approval thereof by the Board of Directors.

d) Know, promote, and guide the Company’s actions relating to corporate social responsibility and sustainability and report thereon to the Board of Directors and to the Executive Committee, as appropriate.

e) Be informed regarding the inclusion of the Group in the most widely recognised international sustainability indices.

f) Advise, within its area of authority, on matters such as employment, innovation, satisfaction, diversity, integration, non-discrimination, equality, conciliation, accessibility, and mobility.

g) Propose a co-ordinated strategy for the Group’s social action and its sponsorship and patronage plans.

h) Report on the conduct of general interest and corporate social responsibility activities by entities in the nature of foundations related to the Group to which such activities have been entrusted.

i) Assess and review the Company’s plans implementing the Social Responsibility Policies and monitor the level of compliance therewith.

j) Assess the Group’s status in connection with corporate social responsibility.

k) Advise the Board of Directors regarding compliance with and effects of the public initiatives launched in the various countries where the Group does business to promote corporate social responsibility.

l) Assess draft bills on corporate social responsibility and related activities (equality, social and environmental variables in Government agreements, etc.) and their possible effects on the Group’s activities.

m) Be informed of the possible influence on the Group of European corporate social responsibility laws and regulations as well as of domestic, autonomous community, and local laws dealing with corporate social responsibility.
n) Analyse voluntary initiatives and documents with recommendations concerning corporate social responsibility that appear in the market.

o) Disseminate internally the latest communication and responsible marketing trends.

p) Be informed of and advise the Board of Directors regarding the latest responsible innovation trends.

q) Review the various corporate social responsibility measurement and observation tools implemented at the domestic and international levels and provide recommendations to improve the positioning of the Group.

r) Review the various corporate social responsibility measurement and observation tools implemented at the domestic and international levels and provide recommendations to improve the positioning of the Group.

s) Issue such other reports and take such other actions in the area of corporate social responsibility and sustainability as may also fall within its power pursuant to the Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

For these purposes, the scope of corporate social responsibility and sustainability comprises the Group’s contribution to sustainable development, respect for the surroundings and the environment, social action, quality, and innovation, which are actualised in the principles, values, and practices defined in the Mission, Vision, and Values of the Iberdrola Group and in the General Corporate Social Responsibility Policy approved by the Board of Directors.

Article 5. Powers regarding Corporate Reputation

In this regard, the Committee shall have the following main functions:

a) Know, promote, and guide the Company’s actions relating to corporate reputation and report thereon to the Board of Directors and to the Executive Committee, as appropriate.

b) Report on the corporate reputation contents of the Group’s annual reports prior to approval thereof by the Board of Directors.

c) Promote the inclusion of elements to improve the management of intangible assets such as reputation, brand image, intellectual capital, internationalisation, transparency, and ethics.

d) Report on the activities in the area of corporate reputation carried out by entities in the nature of foundations related to the Group.

e) Review the plans for implementation of the Company’s corporate reputation strategy and monitor the level of compliance therewith.

f) Issue such other reports and take such other actions in the area of corporate reputation as may also fall within its power pursuant to the Corporate Governance System or as may be requested by the Board of Directors or the chairman thereof.

The scope of corporate reputation comprises matters relating to image management, brand, external communications, institutional relations, and other aspects relating to the generation of trust and transparency towards its stakeholders, as required under the Group’s corporate model and as determined by the Board of Directors.

Article 6. Powers regarding the Company’s Corporate Governance and Regulatory Compliance

In this regard, the Committee shall have the following main functions:

a) Conduct a periodic review of the Corporate Governance System, with special emphasis on the Corporate Governance Policies, and propose to the Board of Directors, for the approval thereof or for submission to the shareholders at a General Shareholders’ Meeting, such amendments and updates as may contribute to the development and ongoing improvement thereof.

b) Promote the Company’s corporate governance strategy.

c) Supervise compliance with legal requirements and with the rules and regulations of the Corporate Governance System, particularly in relation to the application of the Shareholder Engagement Policy and the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors.

d) Report on the Company’s Annual Corporate Governance Report prior to the approval thereof, obtaining for such purpose the reports of the Audit and Risk Supervision Committee, the Appointments Committee, and the Remuneration Committee with respect to the sections of such report that are within its powers.

e) Issue its prior opinion on the annual report on compliance with legal provisions on the separation of regulated activities within the Group prepared by the Director of Compliance, and submit it to the Board of Directors.

f) Examine the level of compliance by the Company with generally recognised good governance recommendations and, if appropriate, of compliance therewith by the other companies of the Group.
g) Report on proposed amendments of the *Code of Ethics*.

h) Receive information from the Compliance Unit regarding proposed amendments of the *Code of Ethics* and regarding any significant issue relating to the application of and compliance with the *Code of Ethics*.

i) Use the Compliance Unit to review the Company’s internal policies and procedures in order to prevent improper conduct and identify policies or procedures that may be more effective in promoting the highest ethical standards.

j) Review and validate the annual operating budget of the Compliance Unit, for submission thereof to the Board of Directors through the chairman of the Board, as well as its annual activity plan, and endeavour to ensure that the Compliance Unit has the material and human resources required to discharge its duties.

k) Report on proposed amendments of the *Regulations of the Board of Directors* and of the *Regulations of the Compliance Unit*.

**TITLE III. COMPOSITION**

**Article 7. Composition and Positions**

1. The 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.

2. The Board of Directors shall endeavour to ensure that the members of the Committee have such expertise, qualifications, and experience as are required by the duties they are called upon to perform.

3. Within the aforementioned limits, the Committee may submit to the Board of Directors a proposal for amendment of the number of Committee members when it is deemed that such number will contribute to the more efficient operation of the Committee.

4. The Board of Directors shall appoint a chair of the Committee from among the members forming part thereof, who must be a director with sufficient capacity and availability to provide greater dedication to the Committee than the rest of the members thereof.

5. The Board of Directors shall also appoint a secretary of the Committee, who need not be a director.

**Article 8. Term of Office**

1. Committee members shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

2. Committee members who are re-elected as directors of the Company by resolution of the shareholders at a General Shareholders’ Meeting shall continue in their positions on the Committee, without the need for a new election, unless the Board of Directors resolves otherwise.

**Article 9. Withdrawal**

Committee members shall withdraw from office:

a) When they cease to be directors of the Company.

b) When they cease to be external directors, even if they continue as directors of the Company.

c) Upon expiration of the maximum term for which they were appointed without being re-elected.

d) By resolution of the Board of Directors.

**TITLE IV. MEETINGS**

**Article 10. Meetings**

1. The Committee shall meet as many times as the chair thereof deems it necessary to exercise the powers entrusted thereto.

2. The Committee must also meet when so requested by a minimum of two of its members.

3. The chairman of the Board of Directors and the chief executive officer may request informational meetings with the Committee on an exceptional basis.

**Article 11. Call to Meeting**

1. The secretary of the Committee shall, by order of the chair thereof, call the Committee to meeting at least eight days in advance thereof, except in the case of urgent meetings.
2. The call to meeting shall be carried out by any means allowing for receipt thereof and shall include the agenda for the meeting.
3. No prior call to a meeting of the Committee shall be required when all of its members are present and unanimously agree to the holding of the meeting and to the items of the agenda to be dealt with.

**Article 12. Place of the Meeting**
1. Meetings of the Committee shall be held at the place designated in the call to meeting.
2. Meetings of the Committee may be held in several places connected to each other by a system that permits the recognition and identification of the attendees, permanent communication among them, and participation in discussion and the casting of votes, all in real time.
3. The members of the Committee in attendance at any of such interconnected places shall be deemed to have attended the same meeting of the Committee for all purposes. The meeting shall be deemed to have been held where the largest number of Committee members is located and, if they are in equal numbers, where the chairman or whoever performs the duties thereof is located.

**Article 13. Establishment of a Quorum**
1. A valid quorum for Committee meetings shall be established with the attendance, in person or by proxy, of a majority of its members.
2. The chair of the Committee shall preside over the meeting. In the event of the vacancy, illness, incapacity, or absence of the chair of the Committee, the meeting shall be chaired by the director having the longest length of service on the Committee, and if equal lengths of service, by the oldest.
3. The secretary of the Committee shall act as secretary for the meeting. In the event of vacancy, illness, incapacity, or absence of the secretary of the Committee, the person appointed by the Committee for such purpose shall act as secretary.
4. Committee members may give a proxy to another member by notice delivered by any of the means set forth in article 11 above, addressed to the secretary of the Committee and including the terms on which the proxy is given. However, they may not give a proxy in connection with matters affecting them personally or regarding which they are involved in a conflict of interest situation.

**Article 14. Resolutions**
1. Resolutions of the Committee shall be adopted by an absolute majority of the votes of the members present at the meeting in person or by proxy. In the event of a tie, the chair of the Committee shall have the tie-breaking vote.
2. All resolutions adopted shall be recorded in minutes signed by the chair and the secretary of the Committee or by the persons acting in their stead. They shall be approved at the same meeting or at the meeting held immediately thereafter, shall be made available to all of the directors, and shall be entered in a book of minutes of the Committee.

**Article 15. Conflicts of Interest**
When matters to be dealt with at a meeting of the Committee directly affect one of its members or persons related thereto and, in general, when such member is subject to a conflict of interest situation (upon the terms established in the Regulations of the Board of Directors), such member must leave the meeting until a decision is made, and such member shall be subtracted from the number of Committee members for purposes of calculating the quorum and majorities with respect to the matter at hand.

**Article 16. Attendance**
1. At the request of the chair of the Committee, addressed for such purpose to the chairman of the Board of Directors, any director may be asked to attend the meetings thereof.
2. The chairman of the committee may also, through the secretary of the Board of Directors, request the attendance of members of the Foundations Committee of the Iberdrola Group, of any director, officer, or employee of the Group, of any member of the management decision-making bodies of the companies forming part of the Group whose appointment has been proposed by the Company, and of any director, officer, or employee of entities in the nature of foundations related to the Group, provided there is no legal impediment thereto.
3. Persons who are not members of the Committee may not attend meetings thereof when the matters dealt with are outside the scope of the powers or duties of such persons.
TITLE V. POWERS OF THE COMMITTEE AND DUTIES OF ITS MEMBERS

Article 17. Powers and Advice
1. The Committee may, through the secretary of the Board of Directors, freely access any information or documents available at the Company relating to the matters that are within the Committee’s area of authority and that it deems necessary to perform its duties.
2. Furthermore, the Committee may, through the secretary of the Board of Directors, request any kind of information or documents available to the Foundations Committee of the Iberdrola Group relating to the matters that are within the Committee’s area of authority and that it deems necessary to perform its duties.
3. The Committee may also seek, at the Company’s expense, cooperation or advice from outside professionals, who shall address their reports directly to the chair of the committee. In such case, the Committee shall ensure that potential conflicts of interest do not prejudice the independence of the outside advice received.

Article 18. Duties of Committee Members
1. Committee members must act with independence of judgement and action with respect to the rest of the organisation and perform their work with the utmost diligence and professional competence.
2. Committee members are subject as such to all of the duties of a director set forth in the Regulations of the Board of Directors, to the extent they are applicable to the responsibilities discharged by the Committee.

Article 19. Information to the Board of Directors
1. The chair of the Committee shall inform the Board of Directors, at the next meeting thereof following the meetings of the committee, of the matters dealt with and the resolutions adopted during its meetings.
2. In addition, within three months following the close of each financial year, the Committee shall submit to the Board of Directors for approval a report detailing its work for the prior financial year, which shall be made available to the shareholders upon the terms set forth in the Regulations for the General Shareholders’ Meeting.

TITLE VI. COMPLIANCE, DISSEMINATION, AND INTERPRETATION

Article 20. Compliance and Dissemination
1. The members of the Committee, as well as the other members of the Board of Directors to the extent they are affected, have the obligation to know and comply with these Regulations, for which purpose the secretary of the Board of Directors shall post them on the directors’ website and on the Company’s corporate website.
2. In addition, the Committee shall have the obligation to ensure compliance with these Regulations and to adopt appropriate measures for the required dissemination thereof among the rest of the organisation.

Article 21. Interpretation
1. These Regulations shall be interpreted in accordance with the Corporate Governance System.
2. Any question or dispute regarding the interpretation of these Regulations shall be resolved by the Committee itself, and in the absence of such resolution, by the chair of the Committee, who shall be assisted by such persons, if any, as may be appointed by the Board of Directors for such purpose. The Board of Directors shall be informed of the interpretation and resolution of the questions or disputes that may have arisen.
3. In the absence of a specific rule, the provisions of the Regulations of the Board of Directors regarding the operation of the Board and, in particular, those regarding the call to meetings, granting of a proxy to another director, establishment of a quorum, meetings without prior notice, proceedings at meetings and system for adopting resolutions, casting of votes in writing and without a meeting, and approval of the minutes of meetings, shall apply to the Committee to the extent that they are not inconsistent with the nature thereof.
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Directors’ Code of Ethics

I. 23 February 2016
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Article 1. Purpose
The directors of IBERDROLA, S.A. (the “Company”) must comply with the obligations and duties established by law and in the Corporate Governance System, and their conduct as directors must conform to the ethical principles and duties inherent to the Mission, Vision, and Values of the Iberdrola group. This Directors’ Code of Ethics, approved by the Board of Directors, forms part of the Corporate Governance System and is one of the internal Codes and Procedures. It sets forth the ethical principles that are to govern all action by directors and the ethical duties that they undertake to observe in their capacity as members of the Board.

Article 2. Scope of Application
The Directors’ Code of Ethics binds all of the directors, including the individuals appointed to represent legal entities, who have the duty to be apprised of and comply with the Code. For such purposes, the Secretary of the Board of Directors shall provide them with a copy of the Directors’ Code of Ethics, delivery of which they shall confirm by written receipt; the Secretary of the Board of Directors shall also include the Code on the Directors’ website and shall publish it on the Company’s corporate website. Compliance with the Directors’ Code of Ethics is understood to be without prejudice to strict compliance with the provisions of law and of the other documents making up the Company’s Corporate Governance System and, in particular, the Regulations of the Board of Directors and the Internal Regulations for Conduct in the Securities Markets and the regulations thereunder.

Article 3. Ethical Principles
The ethical principles that are to govern all action by directors are:

a) Strict compliance with the law and with the Corporate Governance System.

b) Commitment to and involvement with human and labour rights.

c) Protection of the environment.

d) Non-discrimination by reason of race, colour, nationality, social origin, age, gender, marital status, sexual orientation, ideology, political opinion, religion or any other personal, physical or social condition of its professionals, as well as equal opportunity among them.

e) Reconciliation of work and family life.

f) Occupational safety and health, which entails ensuring that physical conditions do not pose a risk to human physical safety or health.

g) Rigorous and objective selection and evaluation, as well as training, of the professionals of all of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”).

h) Respect for the legitimate public or private interests that converge in the conduct of the Group’s business activities, particularly those of the various stakeholders, those of the communities and territories in which the Group does business, and those of its employees.

These ethical principles shall be construed and applied in furtherance of the corporate interest, understood as the common interest of all the 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.

Article 4. Qualities of a Director
The directors of the Company must be respectable and capable persons with recognised expertise, competence, experience, qualifications, training, availability and commitment to their duties. Directors must also distinguish themselves by their professionalism and integrity, which must translate into transparent, diligent, responsible, efficient, professional, loyal, honest, good-faith and objective conduct, in line with the values of excellence, quality and innovation in furtherance of the corporate interest.

Directors have the duty to cultivate the above-mentioned qualities and capabilities.

Article 5. Ethical Duties
As an expression of the integrity required of directors of the Company, they shall comply with the following ethical duties in the performance of their tasks:
a) Directors may not give or accept gifts or presents in the performance of their activities as directors other than, on an exceptional basis, gifts that are of insignificant or symbolic economic value, correspond to signs of courtesy or to customary business gifts and tokens and are not forbidden by law, by the Corporate Governance System or by generally accepted business practices.

b) Directors may not, directly or through nominees, offer or grant, or solicit or accept, unjustified advantages or benefits that are intended to obtain a benefit for the Group, for themselves or for a third party.

c) Directors are also not allowed to receive money from customers or suppliers on a personal level, not even as a loan or advance, the foregoing being independent of loans or credits granted by financial institutions that are customers or suppliers of the Group.

d) Directors may not accept any kind of hospitality that influences, might influence or might be construed as influencing decision-making.

e) The provision of services by directors as employees or professionals, for their own account or for the account of another, to companies or entities other than the Group, as well as engaging in academic or similar activities, shall be reported and, if required, authorised in the manner established by the Corporate Governance System.

f) While the Company respects the performance of social, public or other unpaid activities by its Directors, such activities must not interfere with their duties and responsibilities as directors.

g) The connection, membership, or collaboration by directors with or in government administrations, public organisations and entities, government-owned companies, political parties or other kinds of public-purpose entities, institutions or associations shall be such that the strictly personal nature thereof is clear, thus avoiding any connection with the Group.

h) Directors shall make responsible use of the resources and means made available to them by the Company, using them solely for professional activities in the interest of the Group.

i) The Company owns and holds the right to use and operate the computer software, presentations, projects, studies, reports and other works and rights created, developed or used by its directors within the framework of their professional activities or based on the Group’s information technology systems.

j) Directors shall respect the principle of confidentiality in respect of the nature of the rights, licenses, software, systems and technological knowledge in general owned by the Group or which it has the right to operate or use.

k) The use of the information technology equipment, systems and software and of the passwords made available by the Group to directors for the performance of their work, including the facility of accessing and operating on the internet and the directors’ website, shall conform to standards of security and efficiency, excluding any use, action or software function that is unlawful or contrary to the Group’s regulations or instructions or that compromises the confidentiality of the information of the Group to which they have access.

l) Directors shall not operate, reproduce, replicate or assign the Group’s information technology systems or applications for purposes unrelated thereto. In addition, directors shall not install or use on the computer equipment provided by the Group software or applications the use of which is unlawful or that might damage the systems or prejudice the image or the interests of the Group, its customers or third parties.

m) Directors shall, in all their business, professional or private activities, avoid any action or decision that might violate the law or the Corporate Governance System in connection with related-party transactions, significant transactions, business opportunities, use of corporate assets, other cases of conflict of interest, relations with shareholders, employees, customers, vendors and suppliers of the Group, competitors and the media.

n) The directors identify with the Company’s commitment to create value for its shareholders on a continuous and sustained basis and with the long-term success of the Company, within the framework of the Corporate Policies and the principle of equal treatment of shareholders in the same situation.

o) Relations of directors with authorities, regulatory and supervisory entities and government administrations in general shall be conducted following the principles of cooperation and transparency. Specifically, transparency of information, particularly economic and financial information, is a basic principle that must govern the directors’ activities.

p) Relations of directors, in their capacity as such, with the media and with investors and financial analysts shall be channelled through such divisions and services of the Company as the Board of Directors and the Chairman thereof may determine.
q) Directors shall be committed to the principles of the General Corporate Social Responsibility Policy and those of a responsible corporate ethic that makes it possible to harmonise the creation of value for the shareholders with sustainable development, the main objectives of which are the protection of the environment, social cohesion, the development of a favourable framework for labour relations and ongoing communication with the various groups related to the Company.

r) Directors shall have the duty to report the commission by a director of any irregularity or of any act against the law, the Corporate Governance System or the rules of conduct laid down in this Directors’ Code of Ethics.

**Article 6. Code of Ethics of the Company**

The provisions contained in this Directors’ Code of Ethics must be interpreted consistently with the Code of Ethics of the Company.

The directors, as members of the main body responsible for management of the Company, undertake to manage and cause the Group to be managed, in all fields of endeavour, in accordance with the provisions of the Mission, Vision, and Values of the Iberdrola group and the Code of Ethics.

**Article 7. Exemptions from Compliance**

Any exemption from compliance with the provisions of this Directors’ Code of Ethics shall require approval of the Board of Directors after a report from the Appointments Committee.

**Article 8. Approval and Amendment**

The approval of this Directors’ Code of Ethics and any amendment of the contents hereof shall fall within the purview of the Board of Directors.
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Chapter I. Introduction

Article 1. Purpose

1. Pursuant to the provisions of its By-Laws, IBERDROLA, S.A. (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.

2. This Code of Ethics, which contains the by-law commitment referred to in the preceding section, is intended to develop the ethical principles contained in the Mission, Vision, and Values of the Iberdrola group of which the Company is the controlling entity, within the meaning established by law (the “Group”), and to serve as a guide for the actions of its professionals in a global, complex, and changing environment.

3. In addition, the Code of Ethics has been prepared taking into account the good governance recommendations generally recognised in international markets and the social responsibility principles accepted by the Company, constituting a basic reference for observance of such initiatives and practices by the Group. It also deals with the new obligations to prevent criminal activity imposed within the area of criminal liability for legal entities.

4. The Code of Ethics sets forth the Company’s commitment to the principles of business ethics and transparency in all areas of activity and establishes a set of principles and guidelines for conduct designed to ensure ethical and responsible behaviour by all professionals of the Group in the performance of their activities.

5. The Code of Ethics forms a part of the Company’s Corporate Governance System, and is fully respectful of the principles of corporate organisation established therein.

Article 2. Scope of Application

1. The principles and guidelines for conduct contained in the Code of Ethics apply to all professionals of the Group, regardless of their rank, their geographical or functional location, or the Group company to which they provide their services.

For purposes of the Code of Ethics, the Group’s professionals are deemed to be the officers and employees of all companies and entities forming a part thereof, as well as those other persons whose activities are expressly made subject to the Code of Ethics.

2. Observance of the Code of Ethics is understood to be without prejudice to strict compliance with the Company’s Corporate Governance System, especially the Internal Regulations for Conduct in the Securities Markets and the rules in implementation thereof, the Corporate Governance and Regulatory Compliance Policies, and the applicable rules on separation of activities in each jurisdiction in which the Group carries out regulated activities.

3. The professionals of the companies of the Group to whom other ethical codes or codes of conduct also apply, whether industry-based or arising under the domestic law of those countries in which they carry out their activities, shall also observe such other ethical codes or codes of conduct. Such codes of ethics or conduct shall embrace the Mission, Vision, and Values of the Iberdrola group and shall reflect the principles set forth in the Code of Ethics.

In the case of listed subsidiaries forming part of the Group that must approve their own code of ethics or equivalent rules due to mandate of law or a resolution of their management decision-making body, such code or rules shall preferentially apply to their professionals.

4. Professionals acting as representatives of the Group at companies and entities that do not belong thereto shall observe the Code of Ethics in the performance of such activity to the extent that it is not inconsistent with the regulations of the company or entity at which they act as representatives of the Group. At those companies and entities in which the Group, while not having a majority stake, is responsible for management, the professionals representing the Group shall promote compliance with the mission and the application of the vision and values of the Group and the rules of conduct established in the Code of Ethics.

5. Those professionals of the Group who manage or direct teams of people in the performance of their duties must also ensure that the professionals for which they are directly responsible know and comply with the Code of Ethics and lead by example, acting as benchmarks for conduct within the Group.
Article 3. Mission, Vision, and Values of the Iberdrola group

1. The Board of Directors of the Company has approved the Mission, Vision, and Values of the Iberdrola group. Far from being a mere statement of principles, the content thereof governs day-to-day activities at all of the Group companies and guides their strategy and all their actions.

2. Professional conduct in compliance with the principles contained in the Mission, Vision, and Values of the Iberdrola group, which inspire and take form in the Corporate Policies, the Code of Ethics, and the other regulations comprising the Corporate Governance System is the best assurance of the commitment to the creation of value for the communities in which the Group operates and for the Company’s shareholders.

Article 4. Interpretation and Integration of the Code of Ethics

1. The Compliance Unit is the body responsible for the general interpretation and integration of the Code of Ethics. Its interpretative opinions, which must take into account the provisions of the Mission, Vision, and Values of the Iberdrola group, are binding on all professionals of all of the companies belonging thereto.

2. The Code of Ethics, by its nature, does not deal with potential situations but rather establishes the standards to guide the conduct of the Group’s professionals and to resolve any issues that might arise while carrying out their professional activities.

3. Any question that arises for the Group’s professionals regarding the interpretation of the Code of Ethics should be discussed with an immediate superior. If the circumstances so require, it may be referred to the Compliance Unit, through the director thereof, or, when appropriate, to the compliance units or divisions that may exist at the country subholding or head of business companies of the Group.

4. In cases in which the country subholding or head of business companies of the Group also have codes of ethics or conduct, whether industry-based or arising under the domestic law of the countries in which they carry out their activities and which provide for special situations, the interpretation of such special situations shall be within the power of the compliance units or divisions, if any, existing at such companies, although the interpretation of the Code of Ethics shall always be reserved to the Compliance Unit.

Chapter II. The Compliance Unit

Article 5. The Compliance Unit

1. The Compliance Unit is an internal and permanent collective body linked to the Corporate Social Responsibility Committee of the Company’s Board of Directors, with powers in the area of regulatory compliance and the Company’s Corporate Governance System.

2. Provided that applicable law so allows, the Compliance Unit shall have access to the information, documents, and offices of the companies, directors, officers, and employees of the Group, including the minutes of the management, supervisory, and control bodies, that may be necessary for the proper performance of its duties. In that regard, all professionals and directors of such companies must provide to the Compliance Unit such cooperation as is requested of them for the proper performance of its duties.

3. The Compliance Unit shall have the material and human resources needed to perform its duties.

4. The Compliance Unit shall inform the Corporate Social Responsibility Committee, at least annually and whenever it deems necessary or is requested to do so, of the measures adopted to ensure compliance with the Code of Ethics. Furthermore, the Compliance Unit shall inform the Corporate Social Responsibility Committee of any issue it finds to be of sufficient importance.

5. The Committee shall also periodically inform the Corporate Social Responsibility Committee of the main conclusions and opinions that it issues in the performance of its duties.

Article 6. Powers of the Compliance Unit

1. The Compliance Unit shall have the following powers regarding the Code of Ethics:

   a) Promote the dissemination and knowledge of and compliance with the Code of Ethics, encouraging the training and communication actions it deems appropriate, in accordance with the principles of cooperation and coordination with the various corporate divisions of the Company and with the compliance divisions of the country subholding companies and of the head of business companies, ensuring that the dissemination and communication thereof at the Group level follows general uniform standards and also takes into account the particular features applicable within each jurisdiction and within the various businesses.
b) Promote and coordinate the application of the *Code of Ethics* by the various companies of the Group.

c) Provide a binding interpretation of the *Code of Ethics* and resolve any questions or concerns raised with respect to the content and application thereof and compliance therewith, and particularly with respect to the application of disciplinary measures by the competent bodies.

d) Promote the procedures for verification and investigation of complaints received, and issue appropriate decisions regarding the investigative files processed.

e) Annually evaluate the level of compliance with the *Code of Ethics*.

f) Report to the competent governance bodies regarding compliance with the *Code of Ethics*.

g) Promote the approval of the rules needed to further develop the *Code of Ethics* and to prevent violations thereof, in collaboration with the various corporate divisions of the Company and on a coordinated basis with the compliance divisions of the country subholding companies and head of business companies.

h) Approve behavioural procedures and protocols in order to ensure compliance with the *Code of Ethics*. These rules must in all cases be in accord with the provisions of the Corporate Governance System.

i) Such other powers, whether of a particular or permanent nature, that are assigned thereto by the Corporate Social Responsibility Committee or the Board of Directors of the Company, or that are attributed thereto by the Corporate Governance System.

2. In those cases in which the application of the domestic law of any of the countries in which the Group operates requires or makes advisable the clarification, supplementation, or further development of any of the rules of professional conduct established in the *Code of Ethics* by one of the companies of the Group, the Compliance Unit shall issue a report prior to the approval by the relevant company’s board of directors of such clarification, supplementation, or further development, which shall apply solely to the professionals employed by such company who conduct their activity in such country and shall be attached to the *Code of Ethics* as an annex thereto.

The clarification, supplementation, or further development shall under no circumstances entail an amendment of the *Code of Ethics*, except when required by mandatory rules, in which case the provisions of article 40 of the *Code of Ethics* shall apply.

**Article 7. Regulations of the Compliance Unit**

The composition and operation of the Compliance Unit shall be governed by the *Regulations of the Compliance Unit*, which forms part of the Company’s Corporate Governance System, and which must be approved by resolution of the Board of Directors.

**Article 8. Relations with the Country Subholding Companies and Head of Business Companies of the Group**

1. The duties and activities of the Compliance Unit shall be deemed to be without prejudice to those initiatives adopted by the country subholding companies and head of business companies of the Group within their own areas of activity to promote awareness of and adherence to the *Code of Ethics*.

The country subholding companies and head of business companies of the Group shall periodically inform the Compliance Unit of any initiatives adopted in this regard.

2. In order to properly exercise of the powers attributed to the Compliance Unit in the *Code of Ethics*, and with due respect for the scope of action of the country subholding companies and head of business companies of the Group, the Compliance Unit shall establish the framework of relations for coordination, cooperation, and information with the compliance units or divisions that may exist at such companies, taking into account for such purpose the special characteristics that may arise from listed company status, nationality, or any other circumstances that may affect certain companies of the Group.

3. Furthermore, the powers of the Compliance Unit under the *Code of Ethics* shall be deemed to be without prejudice to the management and supervision responsibilities corresponding to other bodies and divisions of the Company and to the administrative and management decision-making bodies of the country subholding companies and head of business companies of the Group and to equivalent bodies in other jurisdictions in accordance with the governance model of the Group, and particularly with respect to the application of relevant disciplinary measures.
Chapter III. General Rules of Professional Conduct

Article 9. Compliance with Law and with the Corporate Governance System
1. Group professionals shall comply strictly with the laws in force in the jurisdiction of their workplace, heeding both the spirit and the purpose of such legal provisions, and shall observe the provisions of the Code of Ethics, the rules of the Corporate Governance System, and the basic procedures governing the activities of the Group and of the company in which they provide their services. They shall also fully observe all obligations and commitments assumed by the Group in its contractual relations with third parties, as well as the usage and good practice of the countries in which they carry out their activities.

2. The officers of the Group shall have particular knowledge of the laws and regulations, including internal ones, affecting their respective areas of activity, and must ensure that the professionals reporting to them receive the required information and training to enable such professionals to understand and fulfil the legal and regulatory obligations, including internal ones, applicable to their position.

3. Group companies shall ensure compliance with applicable tax regulations and shall strive to achieve appropriate coordination of the tax policy followed by all of them, within the framework of furtherance of the corporate interest and of support for the long-term business strategy, avoiding tax risks and inefficiencies in the implementation of business decisions.

4. The Group shall respect and abide by all court and/or governmental decisions or resolutions that may be issued, but reserves the right to file such appeals as may be appropriate against any such decisions or resolutions when it believes that they do not conform to the law and are contrary to its interests.

Article 10. Commitment to Human and Workers’ Rights
1. The Group hereby expresses its commitment to and solidarity with the human and workers’ rights recognised in national and international law and to the principles upon which are based the UN Global Compact, the United Nations Norms on the Responsibilities of Transnational Companies and Other Business Enterprises in connection with Human Rights, the OECD Guidelines for Multinational Corporations, and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy of the International Labour Organization, as well as such documents or texts that replace or supplement the ones mentioned above.

2. In particular, the Group affirms its total rejection of child and forced or compulsory labour and undertakes to respect freedom of association and collective bargaining, as well as the rights of ethnic minorities and indigenous peoples in the places in which it does business.

Article 11. Irreproachable Professional Conduct
1. The standards that govern the conduct of the Group’s professionals shall be professionalism and integrity:
   a) Professionalism is acting diligently, responsibly, and efficiently, focusing on excellence, quality, and innovation.
   b) Integrity is acting loyally, honestly, in good faith, objectively, and in line with the interests of the Group and with its principles and values as expressed in the Code of Ethics.
   c) Self-control in actions and decision-making, such that any action performed rests upon four basic premises: (i) that the action is ethically acceptable, (ii) that it is legally valid, (iii) that it is desirable for the Company and the Group, and (iv) that the professional is prepared to assume responsibility therefor.

2. All professionals of the Group have an obligation to report to the Compliance Unit or to the compliance unit or division of the relevant country subholding or head of business company of the Group, which shall in turn inform the Compliance Unit, regarding the commencement, evolution, and result of any court, criminal, or administrative proceeding for the imposition of penalties, in which a professional is the defendant or accused and which may affect the professional in the performance of the duties thereof as a professional of the Group or prejudice the image or the interests of the Group.

In the event of a report of the commencement of a proceeding of this nature, the Compliance Unit or the respective compliance unit or division of the country or head of business company of the Group shall act in accordance with the protocol approved for such purpose.
Article 12. Protection of the Environment

1. The Group’s activities are based on respect for the environment, and the Group complies with or exceeds the standards established in such environmental laws and regulations as may apply and minimises the impact of its activities on the environment.

2. The guidelines for the conduct of the Group’s companies are to minimise waste and pollution, conserve natural resources, promote the saving of energy, and carry out and sponsor research and development projects that foster environmental protection.

3. The Group cooperates with regulatory authorities to develop and promote fair laws and regulations that protect the environment.

Chapter IV. The Group’s Professionals

Article 13. Principles of Non-Discrimination and Equal Opportunity

1. The Group promotes non-discrimination by reason of race, colour, nationality, social origin, age, gender, marital status, sexual orientation, ideology, political opinion, religion, or any other personal, physical, or social condition of its professionals, as well as equality of opportunity among them.

2. In particular, the Group shall promote equal treatment among men and women as regards access to employment, training, promotion of professionals, and working conditions, as well as access to goods and services and the supply thereof.

3. The Group rejects any form of violence, of physical, sexual, psychological, moral, or other harassment, of abuse of authority at work, and any other conduct creating an atmosphere that is intimidating or offensive to the personal rights of its professionals. Specifically, the Group shall promote measures to prevent sexual harassment and gender-based harassment when deemed necessary.

Article 14. Reconciliation of Work and Family Life

The Group respects the personal and family life of its professionals and shall promote reconciliation programmes that encourage a better balance between personal and family life and the employment responsibilities of its professionals.

Article 15. Right to Privacy

1. The Group respects the right to privacy of its professionals in all its forms, and particularly as regards personal, medical, and financial data.

2. The Group respects the personal communications of its professionals made through the internet and other means of communication.

3. The professionals of the Group undertake to responsibly use the means of communication, of computer systems and, in general, any other means made available to them by the Company in accordance with the policies and standards established for such purpose. Such means are not provided for non-professional personal use, and are thus not appropriate for private communication. They therefore do not give rise to an expectation of privacy in the event they must be supervised by the Group in the proportionate exercise of its duties of control.

4. The Group undertakes not to disclose personal data of its professionals, except with the consent of the interested parties and where legally obliged to make such disclosure by statute or to comply with court or administrative orders. Under no circumstances may personal data of the professionals of the Group be processed for purposes other than those provided for by law or by contract.

5. The professionals of the Group that have access to the personal data of other professionals of the Group in the course of their activities shall undertake in writing to respect the confidentiality of such data.

6. The Compliance Unit, the compliance units and divisions, and the other relevant divisions or bodies shall comply with the requirements established in personal data protection legislation regarding communications sent thereto by the professionals in accordance with the provisions of the Code of Ethics.

Article 16. Workplace Health and Safety

1. The Group shall promote a workplace health and safety programme and adopt the preventive measures required under current legislation and any other legislation that may be enacted in the future.

2. The professionals of the Group shall observe with particular attention the regulations relating to workplace health and safety, in order to prevent and minimise occupational risks.
3. The Group shall promote compliance with its rules and programmes regarding workplace health and safety by the contractors with which it does business.

**Article 17. Selection and Assessment**

1. The Group shall maintain a most strict and objective selection programme, considering only the academic, personal, and professional merits of candidates and the needs of the Group.
2. The Group shall assess its professionals rigorously and objectively on the basis of their individual and collective professional performance.
3. Group professionals shall participate in the setting of their objectives and be informed of the assessments made of them.

**Article 18. Training Policies**

1. The Group shall promote the training of its professionals. Training programmes shall foster equal opportunities and professional career development and shall contribute to the achievement of the Group’s objectives.
2. Group professionals undertake to update their technical and managerial knowledge continuously and to take advantage of the Group’s training programmes.

**Article 19. Information**

The Group shall inform its professionals of the outlines of its strategic objectives and the progress of the Group.

**Article 20. Gifts and Presents**

1. Group professionals may not give or accept gifts or presents in the performance of their professional activities. As an exception, the delivery and acceptance of gifts or presents shall be allowed if all of the following simultaneously occur:
   a) they are of insignificant or symbolic financial value,
   b) they correspond to signs of courtesy or to customary business gifts and tokens, and
   c) they are not forbidden by law or by generally accepted business practices.
   The provisions of article 33 below shall not apply to presents or gifts under the above circumstances.
2. Group professionals may not, directly or through nominees, offer or grant, or solicit or accept, unjustified advantages or benefits that are directly or indirectly intended to obtain a benefit, whether present or future, for the Group, for themselves, or for a third party. In particular, they may not give or receive any type of bribe or commission from, or made by, any other party involved, such as government officials (whether Spanish or foreign) or personnel of other companies, political parties, authorities, customers, suppliers, or shareholders. Acts of bribery, which are expressly prohibited, include the offer or promise, whether direct or indirect, of any kind of improper advantage, any instrument designed to conceal them, and influence-peddling.
   Money may also not be received from customers or suppliers on a personal level, even as a loan or advance, the foregoing being independent of loans or credits given to Group professionals by financial institutions that are customers or suppliers of the Group and that are not involved in the activities set forth above.
3. Group professionals may not give or accept hospitality that influences, might influence, or might be construed as influencing decisions.
4. In the event of any doubt as to what is acceptable, the offer must be turned down or, if appropriate, first discussed with the professional's immediate superior, who may refer the question to the Compliance Unit or to the corresponding compliance division, as applicable.

**Article 21. Conflicts of Interest**

1. A conflict of interest shall be deemed to exist in those circumstances in which there is a direct or indirect conflict between the personal interest of the professional and the interest of any of the companies of the Group. A personal interest of the professional shall exist when the matter affects the professional or a person related thereto.
2. The following shall be deemed to be persons related to the professional:
   a) The spouse of the professional or the person with whom the professional has a like relationship of affection.
   b) The ascendants, descendants, and siblings of the professional or of the professional's spouse (or person related to the professional by a like relationship of affection).
   c) The spouses of the ascendants, descendants, and siblings of the professional.
   d) The entities in which the professional, or another person related thereto, directly or through a nominee, falls within any of the control situations established under the law.
e) The companies or entities in which the professional, or any of the persons related thereto, directly or through a nominee, holds an administrative or management position or a position for which the professional receives remuneration for any reason, provided that the professional also directly or indirectly exercises a significant influence on the financial and operational decisions of such companies or entities.

3. By way of example, the following are circumstances that might give rise to a conflict of interest:
   a) Being involved, personally or through relatives, in any financial transaction or operation to which any of the companies of the Group is party.
   b) Negotiating or formalising contracts on behalf of any of the companies of the Group with individuals who are related to the professional or with legal entities in which the professional or a person related to the professional holds a management position, or is a significant shareholder or director.
   c) Being a significant shareholder or a director, etc. of customers, suppliers, or direct or indirect competitors of any of the companies of the Group.

4. Professional decisions must be based on the best defence of the interests of the Group and must not be influenced by personal or family relationships or by any other personal interests of Group professionals.

5. Group professionals shall observe the following general guidelines for action in connection with potential conflicts of interest:
   a) Independence: At all times act with professionalism, loyalty to the Group and its shareholders, and independently of their own interests or those of third parties. They shall therefore in no case let their own interests prevail over the interests of the Group.
   b) Abstention: Refrain from participating in or influencing the making of decisions that might affect the entities of the Group with which there is a conflict of interest, from participating in meetings at which such decisions are discussed, and from accessing confidential information related to such conflict.
   c) Communication: Report the conflicts of interest in which they are involved. To such end, written notice of the existence or possible existence of a conflict of interest must be given to an immediate superior and to the division responsible for the human resources function, as well as to the Compliance Unit or the compliance division of the corresponding company of the Group, as appropriate. Upon receipt of the communication, the division responsible for the human resources function shall determine whether or not there is a conflict of interest, and if in doubt shall consult the Compliance Unit or the compliance division of the corresponding company of the Group, as appropriate. The members of the Compliance Unit involved in a potential conflict of interest must give notice thereof to the Committee, which shall also have the power to resolve questions or conflicts that might arise in this regard.

In the notice, professionals must specify:
   - Whether the conflict of interest affects them personally or through a related person, in which case they shall provide the name of such person.
   - The circumstances that led to the conflict of interest, describing, if appropriate, the subject matter and the principal terms of the planned transaction or decision.
   - The amount or approximate economic valuation thereof.
   - The department or person of the Group with whom the respective contacts were made.

The general guidelines for action described above shall be especially observed in those instances in which the conflict of interest is, or may reasonably be expected to be, of such a nature as to constitute a structural and permanent conflict of interest between the professional, or a person related to the professional, and any of the companies of the Group.

6. In order to determine the existence of any possible disqualifications, the division responsible for the human resources function of the Group company in question shall be informed thereof prior to the acceptance of any public office. This division shall in turn inform the Compliance Unit or the compliance division of the corresponding company of the Group, as applicable.
Article 22. Business Opportunities

1. Business opportunities shall be deemed to be all investments or transactions relating to the property or assets of the Group of which professionals become aware in the course of their professional activity, in those cases in which the investment or transaction would have been offered to the Group or it has an interest therein.

2. Professionals may not take advantage of business opportunities for their own benefit or for the benefit of related persons, which shall include the persons mentioned in article 21.2 above unless:
   a) it has previously been offered to the Group, and
   b) the Group has chosen not to take advantage of it without any influence of the professional, or
   c) the division responsible for the human resources function of the Group company in question authorises the professional to take advantage of the business opportunity.

3. Professionals may not use the name of the Company or of companies of the Group or invoke their status as professionals thereof to engage in transactions for their own account or for the account of related persons.

Article 23. Resources and Means for the Performance of Professional Activities

1. The Group undertakes to make available to its professionals all necessary and appropriate resources and means for them to perform their professional activities.

2. Without prejudice to the mandatory compliance with the Group's specific rules and procedures regarding resources and means, the Group's professionals agree to responsibly use the resources and means made available thereto, using them solely for professional activities in the interest of the Group, in order that such resources and means shall not be used for private or personal purposes. The Group's professionals shall avoid any practices, particularly unnecessary activities and expenses, that reduce the creation of value for the shareholders.

3. The Group owns and holds the right to use and operate the computer software and information technology systems, computer equipment, manuals, videos, projects, studies, reports, and other works and rights created, developed, perfected, or used by its professionals within the framework of their work or based on the information technology facilities of the Group. Professionals shall respect the principle of confidentiality in respect of the nature of the rights, licences, software, systems, and technological knowledge, in general owned by the Group or which it has the right to operate. Any information or disclosure regarding the Group's information technology systems shall require the prior authorisation of the division responsible for the human resources function of the Group company in question. The use of the information technology equipment, systems, and software made available by the Group to the professionals for the performance of their work, including the facility of access to and operating on the internet, shall conform to standards of security and efficiency, excluding any use, action, or information technology function that is unlawful or contrary to the regulations or instructions of the Group. Professionals shall not operate, reproduce, replicate, or assign the Group's information technology systems or applications for purposes unrelated thereto. In addition, professionals shall not install or use on the computer equipment provided by the Group software or applications that are unlawful to use or that might damage the systems or prejudice the image or the interests of the Group, its customers, or third parties.

Article 24. Private and Confidential Information

1. The non-public information owned by the Group shall generally be considered private and confidential information and shall be subject to the rules of professional secrecy, and the content thereof may not be made available to third parties without the express authorisation of the appropriate body of the Group in each case, except where the Group is legally obliged to make such disclosure by statute or to comply with legal, court, or administrative orders.

2. The Group and all its professionals shall be responsible for taking sufficient security measures and for applying the established procedures to protect the private and confidential information recorded on physical or electronic media from any internal or external risk of unauthorised access, tampering, or destruction, whether intentional or accidental. To such end, the Group professionals shall treat the content of their work as strictly confidential in their relations with third parties.

3. The disclosure of private and confidential information or the use of private and confidential information for personal purposes is a breach of the Code of Ethics.

4. Any reasonable indication of a leak of private and confidential information or the personal use of such information must be reported by those with knowledge thereof to their immediate superior or, should the circumstances
so require, to the division responsible for the human resources function of the Group company in question. The immediate superior of the reporting party or such division must, in turn, report it in writing to the Compliance Unit.

5. In the event of severance of an employment or professional relationship, the professional shall return to the Group the private and confidential information, including documents and storage media or devices as well as the information stored in their computer terminal, and the professional’s duty of confidentiality shall continue in all cases.

Article 25. Non-Public Information
1. Subject to the definition set forth in the Internal Regulations for Conduct in the Securities Markets, non-public information is any specific information regarding the Company or the Group that has not been made public and that, if it is or has been made public, could appreciably influence or could have appreciably influenced the listing price of the Company’s shares or other negotiable securities issued by Group companies or related financial instruments.

2. Professionals having access to any non-public information of the Group shall adhere to the obligations, limitations, and prohibitions set forth in the Internal Regulations for Conduct in the Securities Markets, and shall in particular refrain from:
   a) Preparing or carrying out any kind of transaction with the shares or other negotiable securities of the Group to which such information refers.
   b) Disclosing such non-public information to third parties, except in the normal course of their work.
   c) Recommending to a third party that such party acquire or dispose of negotiable securities or financial instruments or that such party cause another to acquire or dispose thereof relying on such inside information.

3. The prohibitions established in the previous section apply to any professional having non-public information if such professional knows or should have known that it is non-public information. They shall also apply to any information regarding other issuers of listed securities that may be deemed to be non-public information and to which the professional had access in the course of such professional’s work or position at the Group.

Article 26. Outside Activities
1. Professionals shall devote to the Group all the professional capacity and personal effort needed to perform their duties.

2. The provision of services as employees or professionals, for their own account or for the account of another, to companies or entities other than the Group, as well as engaging in academic activities, must be authorised in advance and in writing by the division responsible for the human resources function of the Group company in question.

3. The Group respects the performance of social and public activities by its professionals, provided that they do not interfere with their work at the Group.

4. The connection, membership, or collaboration by professionals with or in political parties or other kinds of public-purpose entities, institutions, or associations shall be such that the personal nature thereof is clear, thereby avoiding any connection with the Group.

Article 27. Separation of Activities
1. The Group, made up of both companies that carry out Regulated Activities and companies that carry out Liberalised Activities, as defined in the next section, undertakes to observe the industry regulations regarding the separation of both types of activities in force in each country in which it has a presence.

2. Generally, for purposes of the Code of Ethics, those activities relating to distribution and transportation in the electricity industry and those of regasification, basic storage, transportation, and distribution in the hydrocarbon industry are deemed to be “Regulated Activities”. Production and supply activities carried out under a free competition system in both the electricity and the gas industries, as well as the provision of energy recharging services, are deemed to be “Liberalised Activities”. For purposes of the Code of Ethics, the companies of the Group carrying on these activities shall be known as “Regulated Companies” and “Liberalised Companies”, respectively.

However, given the differences in the regulation of the energy industries in the various countries in which the Group operates, the specific definition of Regulated Activities and Liberalised Activities and, thus, of Regulated Companies and Liberalised Companies, shall conform to the laws and regulations in force in each country at any time.

3. It is the Group’s responsibility to keep Regulated Activities and Liberalised Activities duly separate within the Group in accordance with the regulations for the separation of activities applicable in each case.
4. Generally and without prejudice to the provisions of the laws and regulations applicable in each country, the rules for the separation of activities are deemed to require that the Group and its professionals:

- a) Ensure independence in the day-to-day management of Regulated Companies and that of those responsible for the management thereof, avoiding the participation by Liberalised Companies in the day-to-day management thereof, without prejudice to the Group’s powers of economic oversight and management over such companies. To such end, the Group shall ensure that Regulated Companies have the human, material, and financial resources that are adequate and necessary to carry on their day-to-day activities.

- b) Guarantee the independence and protection of the professional interests of the persons responsible for the management of Regulated Companies and of all workers who, under applicable law, deserve special protection by virtue of their duties.

- c) Take appropriate measures to ensure the protection of commercially sensitive information of Regulated Companies that might give a competitive advantage if known by Liberalised Companies. In this regard, Regulated Companies may not share commercially sensitive information with Liberalised Companies, except where permitted by applicable laws and regulations or disclosed to third parties, in which case such information shall be shared under non-discriminatory conditions.

- d) Ensure that all activities of Regulated Companies are carried out following objective and non-discriminatory standards, avoiding any preferential treatment of Liberalised Companies or their customers.

- e) Keep the books of Regulated Companies and of Liberalised Companies duly separate, as provided by applicable laws and regulations in each country. In addition, the Group shall ensure that economic transactions relating to, among other things, the transfer of resources, assets, rights, and/or contracts, if any, made between Regulated Companies and the other companies of the Group, as well as the provision and receipt of services common to both types of company, observe the specific regulations established in each jurisdiction regarding the conditions to which such transactions must be subject.

5. The Group shall, in accordance with the laws and regulations in force in each country in which it carries on Regulated Activities, adopt codes or similar internal rule-making instruments that ensure compliance with the rules for the separation of activities by the Group professionals affected by such laws and regulations. The Group guarantees that the codes or rule-making instruments mentioned in the preceding paragraph shall be communicated to and disseminated among the professionals and officers of the Group in the respective jurisdictions in which they apply. In addition, any codes and rule-making instruments that are adopted shall be disseminated externally, in particular, through the websites of the companies of the Group.

Chapter V. The Group’s Environment

Article 28. Customers

1. The Group commits to offering quality services and products equal to or exceeding the requirements and standards established by law, competing in the marketplace and engaging in marketing and sales based on the merits of its products and services, in all cases applying standards of transparency, disclosure, and protection.

2. The Group shall guarantee the confidentiality of all data of its customers and undertakes not to disclose such data to third parties without the customer’s consent, except when required by law or to comply with court or governmental orders.

The capture, use, and processing of the personal data of customers shall be made in such a manner as to guarantee their right to privacy and comply with personal data protection laws as well as the rights given to customers by the laws on information society and electronic commerce services and other applicable legal provisions.

3. Contracts with customers of the Group shall be drafted in a clear and simple manner. Transparency shall be promoted in pre-contractual and contractual relations with customers, and they shall be advised of the various existing alternatives, particularly as regards services, products, and rates.

4. Professionals shall avoid any kind of interference or influence of customers or third parties that may alter their professional impartiality and objectivity and may not receive any kind of remuneration from customers or generally from third parties for services relating to the professional’s activities within the Group.
Article 29. Suppliers
1. The Group’s procedures for the selection of suppliers shall conform to an objective and impartial standard and shall avoid any conflict of interest or favouritism in the selection thereof.
   Group professionals undertake to comply with established internal award procedures, including, in particular, those relating to the approval of suppliers.
2. The prices and other information submitted by suppliers during a process of selection shall be treated confidentially and shall not be disclosed to third parties without the consent of the interested parties or where required by law or to comply with court or governmental orders.
   Group professionals who have access to personal data suppliers shall maintain the confidentiality of such data and comply with the provisions of the laws on the protection of personal data to the extent applicable.
   The information made available by Group professionals to suppliers shall be true and shall not be given with the intent to mislead.
3. Professionals shall avoid any kind of interference or influence of suppliers or third parties that may alter their professional impartiality and objectivity and may not receive any kind of remuneration from the Group’s suppliers or generally from third parties for services relating to the professional’s activities within the Group.

Article 30. Competitors
1. The Group undertakes to compete fairly in the marketplace and not to engage in advertising that is deceptive or that denigrates its competition or third parties.
2. The acquisition of information from third parties, including information regarding competitors, shall be made in a lawful manner.
3. The Group undertakes to promote free competition for the benefit of consumers and users. The Group shall comply with competition rules and regulations, avoiding any conduct which constitutes or might constitute collusion, abuse, or restraint of competition.

Article 31. Society
1. Relations with the authorities, regulatory entities, and government agencies shall be conducted following the principles of cooperation and transparency.
2. The Group shall provide true, proper, useful, and consistent information regarding its programmes and actions. Transparency of information is a basic principle that must govern the actions of Group professionals.
   The economic/financial information of the Group (especially the annual accounts) shall faithfully reflect its economic and financial position and its net worth, in accordance with generally accepted accounting principles and applicable international financial reporting standards. For such purposes, no professional shall conceal or distort the information set forth in the accounting records and reports of the Group, which shall be complete, accurate, and truthful.
   A lack of honesty in the communication of information, whether internally within the Group (to employees, subsidiaries, departments, internal bodies, management decision-making bodies, etc.) or outside the Group (to auditors, shareholders and investors, regulatory entities, the media, etc.), is a breach of the Code of Ethics. This includes delivering incorrect information, organising it in an incorrect manner, or seeking to confuse those who receive it.
   Relations with investors and financial analysts shall be channelled through the Investor Relations Division (or such division that hereafter carries out the duties thereof). Relations with the media shall be channelled through the Corporate Communications Division (or such division that hereafter carries out the duties thereof).
3. The Group expresses its firm commitment to the principles of the General Corporate Social Responsibility Policy as a framework for its programmes and actions with the professionals, customers, suppliers, shareholders, and all other stakeholders with whom it has relations.
   In this regard, the Group, faithful to the corporate goal of creating wealth and welfare for society, adopts a responsible corporate ethic that makes it possible to harmonise the creation of value for its shareholders with sustainable development, the main objectives of which are the protection of the environment, social cohesion, the development of a favourable framework for employment relations, and ongoing communication with the various groups related to the Company in order to meet their needs and expectations.
4. The Group expresses its firm commitment to the principles of the Crime Prevention and Anti-Fraud Policy, and in particular to not adopting practices that might be considered improper in its relations with customers, suppliers, competitors, authorities, etc., including those relating to money laundering.
To such end, professionals shall receive appropriate training on applicable law in the countries in which the Group operates.

**Article 32. Shareholders**

The Group expresses its intention to create value for its shareholders on a continuous and sustained basis, and shall make available to them permanent communication and enquiry channels to enable them to receive proper, useful, and complete information regarding the development of the Group, within the framework of the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors and the principle of equal treatment of shareholders under identical conditions.

**Article 33. Donations and Actions having a Social-Welfare Component**

1. The Group contributes to the development of communities with its business activity and with its social responsibility strategy, with measures intended to promote education and culture and protect vulnerable groups, and works to establish firm and permanent connections.

2. Faithful to this social commitment and to its values on ethics, transparency, and institutional loyalty, the companies of the Group, whether directly or through intermediaries, are strictly prohibited from directly or indirectly making donations to Spanish political parties, including federations, coalitions, and groups of electors, even in the form of loans or advances.

3. Donations made on behalf of the companies of the Group shall require the prior approval of the Board of Directors or of the Executive Committee of the Company, or, when applicable, of the management decision-making bodies of the country subholding companies or head of business companies of the Group, in each case observing the provisions of applicable law as well as the principles and guidelines for conduct contained in this Code. Donations must have a legitimate purpose, may in no case be anonymous, must be formalised in writing, and if in cash must be made by any means of payment that allows for identification of the recipient of the funds. Prior to submitting a donation for approval by the competent decision-making body, the proposing unit must have carried out due diligence allowing for verification of the legitimacy of the donation, following the form approved by the Compliance Unit. The Compliance Unit may establish different forms for such purposes based on the amount of the donation or the nature thereof. The proposing unit must report the results of such due diligence to the competent Compliance Unit or Compliance Division, which may request additional information or propose supplementary measures of control prior to approval of the donation by the competent body. The company of the Group making the donation must be able to revoke it, without prejudice to the exercise of other legal actions, if the information resulting from the due diligence turns out to be false or inaccurate. The provisions of this article shall not apply to contributions to entities in the nature of foundations linked to the Group in order to carry out the corporate social responsibility activities with which they are tasked by their respective boards of trustees.

**Chapter VI. Ethics Mailbox**

**Article 34. Implementation of the Ethics Mailbox**

1. The Company shall implement an ethics mailbox in order to promote compliance with legal provisions and with the rules of conduct established in the Code of Ethics (the “Ethics Mailbox”). The implementation of the Ethics Mailbox is understood to be without prejudice to other mechanisms or channels that are established in accordance with the Corporate Governance System or that the Audit and Risk Supervision Committee may deem appropriate to create in order to allow for the communication of potentially significant financial and accounting irregularities observed within the Group.

2. The Ethics Mailbox is a transparent channel for reporting by the Group’s professionals of conduct that may involve the commission of an irregular act or an act in violation of legal provisions or of the rules of conduct laid down in the Code of Ethics or to ask questions that may arise regarding the interpretation thereof pursuant to the provisions of article 4 above.

3. Communications addressed to the Ethics Mailbox may be sent by completing an electronic form that shall be available in the “Ethics Mailbox” section of the Employee’s Portal.

4. The country subholding and head of business companies of the Group with compliance units or divisions may create their own ethics mailboxes. Such units or divisions shall report to the Compliance Unit all complaints that they
receive through such ethics mailboxes and the investigative files processed, and shall provide all information and
documentation requested thereby.

**Article 35. Principles Governing Grievances Reported Using the Ethics Mailbox**

1. Group professionals who have reasonable indications of the commission of any irregular act or of any act in viola-
tion of legal provisions or of the rules of conduct laid down in the *Code of Ethics* that are specifically applicable to
the Group’s professionals must report it through the Ethics Mailbox. In any event, such communications shall always
adhere to standards of truthfulness and proportionality, such that this mechanism may not be used for purposes
other than seeking compliance with the rules of the *Code of Ethics*.

2. The identity of the person reporting an irregular action through the Ethics Mailbox shall be deemed to be confi-
dential information and, therefore, it shall in no event be communicated to the reported party without the consent
of the reporting party, thus ensuring non-disclosure of the identity of the reporting party and avoiding any kind of
response towards the reporting party from the reported party as a consequence of the report.

3. The Group undertakes not to engage in any direct or indirect retaliation against the professionals that have report-
ed an action among those mentioned in section 1 above through the Ethics Mailbox.

4. Without prejudice to the foregoing, the data of the persons making the communication may be provided to gov-
ernmental or court authorities, to the extent required by such authorities as a consequence of any proceeding stem-
mimg from the subject matter of the report, as well as to persons involved in any kind of subsequent investigation or
court proceeding initiated as a consequence of the investigation. Such provision of data to governmental or court
authorities shall always be in full compliance with the laws on the protection of personal data.

**Article 36. Processing of Grievances Reported through the Ethics Mailbox**

1. The Compliance Unit shall process grievances reported through the Ethics Mailbox. If the complaint affects a mem-
ber of the Compliance Unit, such member may not participate in the processing thereof.

2. If the matter affects a professional assigned to a country subholding or head of business company of the Group that
has its own compliance unit or division, the Compliance Unit shall send the communication to such unit or division
in order for it to proceed with evaluation and processing in accordance with its own rules. Notwithstanding the
foregoing, if the matter affects professionals assigned to more than one country subholding or head of business
company of the Group that has a compliance unit or division, the processing of the file shall be coordinated by the
Compliance Unit.

3. In all investigations, the rights to privacy, defence of rights, and presumption of innocence of the persons inves-
tigated shall be guaranteed.

**Article 37. Protection of Personal Data**

1. All data provided through the Ethics Mailbox shall be included in a personal data file owned by the Company in
order to process the communication received through the Ethics Mailbox and to take such investigatory steps as
may be required to establish the commission of the violation.

The Company undertakes to treat all personal data received through the Ethics Mailbox in the strictest of confidence
at all times and in accordance with the purposes contemplated in this chapter VI, and it shall adopt such technical
and organisational measures as may be needed to ensure the security of the data and avoid the alteration, loss,
or unauthorised processing thereof or access thereto, taking into account the current state of the art, the nature
of the data stored, and the risks to which they are exposed, all in compliance with the laws on the protection of
personal data.

In any event, the Company shall include in each data collection form the notices required by law in order to clearly
inform the interested parties of the purposes and uses that the treatment of their personal data will serve.

2. As a general rule, the reported party shall be informed of the existence of a report upon commencement of the
investigation proceeding. However, in those cases in which there is a significant risk that such notification may
jeopardise the ability to effectively investigate the allegation or to gather the required evidence, such notification to
the reported party may be delayed for as long as the risk exists. In any event, such period shall under no circum-
stances exceed three months as from receipt of the report.

3. Persons making a communication through the Ethics Mailbox must warrant that the personal data provided are
true, correct, complete, and current. In any event, the data processed within the framework of the investigation
shall be deleted as soon as such investigation has finished, unless the measures adopted give rise to governmental
or court proceedings. In addition, the Company shall keep such data duly blocked during those periods in which any liability may arise from the reports filed by Group professionals or from the steps taken by the Company.

4. Users of the Ethics Mailbox may at any time exercise the rights of access, correction, deletion, and challenge with respect to their personal data by means of written communication addressed to the registered office of the Company, accompanied by a photocopy of their national identity document and specifying the right they wish to exercise.

Chapter VII. Miscellaneous

Article 38. Dissemination, Training, Communication, and Assessment
1. The Compliance Unit shall be responsible for promoting the dissemination of the content of the Code of Ethics among both the professionals of the Company and with respect to the other stakeholders.

2. In order to promote the dissemination thereof among the professionals of the Company, the Compliance Unit shall prepare and approve training and internal communication plans and activities.
   a) Training plans and activities shall be given to the Human Resources Division for implementation thereof pursuant to the provisions of the general training activities plan.
   b) Internal communication plans and activities shall be given to the Corporate Communications Division for implementation thereof pursuant to the provisions of the Group’s global communication plan and after ensuring that the content and form thereof comply with the standards defined for internal communications.

3. Proposals for external dissemination of the Code of Ethics among the other stakeholders shall be given by the Compliance Unit to the Corporate Communication Division for assessment thereof and possible inclusion in the Group’s global communication plan in accordance with the general priorities and objectives established in each case.

4. The compliance divisions of the other companies of the Group, in view of the guidelines of the Compliance Unit, shall promote the dissemination of the content of the Code of Ethics within their respective purviews through the divisions assuming the duties of human resources and communication.

5. The Corporate Social Responsibility Committee shall supervise the coordination and implementation of the training and communication actions to be carried out at the request of the Company’s Compliance Unit and of the compliance divisions of the other companies of the Group.

6. The Compliance Unit shall evaluate and prepare an annual report on the degree of compliance with the Code of Ethics. The report shall be sent to the Human Resources Division and the Management of the Internal Audit Area of the Company, as well as to the Corporate Social Responsibility Committee. The latter shall report it to the competent governance bodies, to the chairman and the chief executive officer of the Company, and to the Audit and Risk Supervision Committee.

7. The foregoing is without prejudice to the supervisory activities and duties of the Company’s Internal Audit Area in accordance with the Basic Internal Audit Regulations.

Article 39. Disciplinary Rules
1. The Group shall develop the measures needed for the effective application of the Code of Ethics.

2. Nobody, regardless of rank or position, is authorised to request that a professional commit an unlawful act or breach of the provisions of the Code of Ethics. In turn, no professional may justify improper or unlawful conduct or conduct that contravenes the provisions of the Code of Ethics in reliance on an order from a superior.

3. If the Compliance Unit determines that a Group professional has engaged in activities that violate the provisions of law or the Code of Ethics, it shall entrust to the Human Resources Division or to the division responsible for the human resources function of the relevant Group company the application of disciplinary measures in accordance with the offences and penalties system set forth in the collective bargaining agreement of the company in which such professional is employed or in applicable employment legislation.

4. The compliance units or divisions that exist at the country subholding companies or head of business companies of the Group shall proceed in the same manner with respect to conduct that they are competent to review as provided above.

Article 40. Updating
1. The Code of Ethics shall be revised and updated periodically, in accordance with the annual report of the Compliance Unit, as well as with the suggestions and proposals of Group professionals. The Corporate Social Responsibility Committee, the Management of the Internal Audit Area, and the Compliance Unit shall be able to make proposals to improve or to foster the adaptation of the Code of Ethics as a whole.
2. Any revision or update that entails an amendment of the Code of Ethics, even if required by the domestic law of a country in which the Group carries out its activities, shall require the authorisation of the Company’s Board of Directors, after a report from its Corporate Social Responsibility Committee.

Article 41. Acceptance
1. The professionals of the Group expressly accept the rules of conduct established in the Code of Ethics.
2. Professionals who join or become part of the Group in the future shall expressly accept the principles and rules of conduct set forth in the Code of Ethics.
3. The Code of Ethics shall be attached to the employment agreements of all Group professionals.

Article 42. Approval
The Code of Ethics was approved at a meeting of the Board of Directors of the Company held on 27 February 2002 and was last amended on 6 April 2016.
III.

Regulations of the Compliance Unit
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TITLE I. NATURE, OBJECT, AND AMENDMENT

Article 1. Nature and Object
1. The Compliance Unit (the “Unit”) of IBERDROLA, S.A. (the “Company”) is a collective permanent and internal body linked to the Corporate Social Responsibility Committee of the Board of Directors of the Company.
2. The Unit is the body of the Company responsible for proactively ensuring regulatory compliance, and is configured in accordance with the provisions of the Corporate Governance System, for which purpose it is vested with the broadest powers, budgetary autonomy, and independence of action.
3. These Regulations of the Compliance Unit (the “Regulations”) form part of the Company’s Corporate Governance System.
4. The creation of the Unit should be understood to be without prejudice to the existence at each country subholding or head of business company of the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), of its own compliance unit or division specifically responsible for its own crime prevention programme.

Article 2. Amendment
The amendment of these Regulations must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chair of the Unit, of one-third of the directors, or of the Unit itself, after a report from the Corporate Social Responsibility Committee unless the amendment is at the initiative of the Board of Directors itself.

TITLE II. COMPOSITION

Article 3. Composition and Positions
1. The Unit shall have the following positions, appointed for an indefinite term by resolution of the Board of Directors after a report from the Company’s Appointments Committee:
   – the chair of the Unit;
   – the secretary of the Unit;
   – the director of compliance, who shall have the status of director of the Unit (the “Director of Compliance”); and
   – the members of the Unit, who shall be proposed by each global business unit and each corporate function.
2. The chair of the Unit and the persons holding other positions must have such expertise, qualifications, and experience as are required by the duties they are called upon to perform.
3. The secretary of the Unit shall have the right to be heard but not to vote, and the duties thereof shall specifically include preparing the minutes of meetings of the Unit, certifying the resolutions and decisions thereof, ensuring the formal and substantive legality of its activities and conformance thereof to the Corporate Governance System, generally channelling the relations of the Unit with its members in all matters relating to the operation thereof, in compliance with the instructions of its chair, and, under the supervision thereof, providing the support necessary for the proper operation of the Unit and the conduct of its meetings.

Article 4. Director of Compliance
1. The Director of Compliance shall have the powers necessary to carry out the duties thereof.
2. The Director of Compliance shall manage the operation of the Unit and its budget and shall be responsible for carrying out the corresponding measures and action plans and ensuring that the Unit proactively complies with its duties.
3. Under the supervision of the Unit, the Director of Compliance shall also have powers relating to the regular management and administration of the duties of the Unit, on behalf thereof, making regular reports thereto on activities performed, for which purpose the Director of Compliance shall have the same powers granted to the Unit in these Regulations and in the Corporate Governance System.
4. In any event, the Unit shall directly exercise the powers relating to the final interpretation of the Code of Ethics, the annual evaluation of its level of compliance, the submission of information to the Corporate Social Responsibility Committee and to other competent bodies, and the approval of rules in development or application of the compliance system of the Iberdrola Group (including the Code of Ethics or relating to the Crime Prevention and Anti-Fraud Policy and the protocols referred to in article 6.2 below) corresponding thereto.

5. The Director of Compliance shall direct the Compliance Unit Office, which shall be made up of members freely appointed by the Unit, including, among others, representatives of the corporate or business areas related to the securities market, financial information, corporate governance, occupational safety, personal data protection, separation of regulated activities and specific regulatory compliance of the businesses, environmental protection, and the prevention of corruption.

TITLE III. POWERS

Article 5. Powers regarding the Code of Ethics
1. In this regard, the Unit shall have the following main powers:

   a) Promote the dissemination and knowledge of and compliance with the Code of Ethics, encouraging the training and communication actions it deems appropriate, in accordance with the principles of cooperation and coordination with the various corporate divisions of the Company and with the compliance divisions of the country subholding companies and head of business companies, ensuring that the dissemination and communication thereof at the Group level follows general uniform standards and also takes into account the particular features applicable within each jurisdiction and within the various businesses.

   b) Promote and coordinate the application of the Code of Ethics by the various companies of the Group.

   c) Provide a binding interpretation of the Code of Ethics and resolve any questions or concerns raised with respect to the content and application thereof and compliance therewith, particularly with respect to the application of disciplinary measures by the competent bodies.

   d) Annually evaluate the level of compliance with the Code of Ethics.

   e) Report to the competent governance bodies regarding compliance with the Code of Ethics.

   f) Promote the approval of rules needed to further develop the Code of Ethics and to prevent violations thereof, in collaboration with the various corporate divisions of the Company and on a coordinated basis with the compliance divisions of the country subholding companies and head of business companies.

   g) Approve behavioural procedures and protocols in order to ensure compliance with the Code of Ethics. These rules must in all cases be in accord with the provisions of the Corporate Governance System.

   h) Receive communications sent through the ethics mailboxes of the professionals, the suppliers, and the shareholders referred to in article 22 below and process the corresponding investigative files, promoting the procedures for verification and investigation of complaints received and issuing appropriate opinions regarding the investigative files processed.

   i) Such other powers as are assigned thereto by the Code of Ethics.

2. Pursuant to the provisions of the Code of Ethics, the Unit shall establish the framework of relations for coordination, cooperation, and information with the compliance units or divisions that may exist at the country subholding companies and head of business companies of the Group for purposes of appropriate compliance with such duties.

Article 6. Powers regarding the Crime Prevention and Anti-Fraud Policy
1. In this regard, the Unit shall have the following main powers:

   a) Ensure the operation, effectiveness, and observance of the Crime Prevention and Anti-Fraud Policy and control the implementation, development, and fulfilment of the Crime Prevention Programme of the Company and of those companies of the Group that are not head of business companies or companies in which an interest is held through such head of business companies, and supervise and coordinate the implementation and development of and compliance with similar programmes at other companies of the Group, in both cases without prejudice to the responsibilities assigned to other bodies.

   b) Foster a preventive culture based on the principle of “zero tolerance” in respect of the commission of wrongful acts and in fraud matters and on the application of principles of ethical and responsible behaviour by all professionals of the Group, irrespective of their level and the country where they work.
c) Promote the preparation and implementation of appropriate training programmes, both in person and online or by any other appropriate method, for professionals of the Group regarding the duties imposed by the Code of Ethics, the Crime Prevention and Anti-Fraud Policy, and applicable law, with a frequency sufficient to ensure that knowledge in this regard is kept up to date. In particular, the professionals of the Group shall receive training regarding the Code of Ethics and the Crime Prevention and Anti-Fraud Policy and, if applicable, the rules in development and implementation thereof, with emphasis on matters of corruption and liability, as well as regarding those legal and regulatory obligations that are specifically applicable to their duties.

d) At least once per year, evaluate the observance and effectiveness of the Group’s Crime Prevention and Anti-Fraud Policy and crime prevention programmes of the companies of the Group and assess whether a modification thereof is appropriate.

2. For these purposes, the Unit shall be responsible for drafting, approving, continuously updating, and ensuring the application of the protocols considered necessary or appropriate for crime prevention and anti-fraud measures, particularly the following:

a) General Protocol, which shall establish the general framework for coordination, cooperation, and information relationships with the compliance divisions that may be established at the country subholding or head of business companies of the Group, which must periodically report to the Unit.

b) Corporate Transactions Protocol, which includes policies and procedures for mergers and acquisitions that require the acquiring entity to carry out an appropriate audit of the risks of the businesses being acquired, including with respect to corruption, by qualified legal, accounting, and compliance professionals. This protocol must also provide that the Group’s crime prevention and anti-fraud policies and procedures be applied to acquired businesses as quickly as possible and that:
   i) appropriate training regarding such policies and procedures be provided to the directors, officers, professionals, agents, consultants, representatives, distributors, joint venture partners, and the respective employees thereof, of such acquired businesses; and
   ii) a specific audit regarding corruption and fraud at all acquired businesses be carried out as quickly as possible.

c) Action Protocol that is to be followed in the event that notice is given to the Compliance Unit or to one of the compliance divisions, if any, established at the country subholding companies or head of business companies of the Group, in accordance with the provisions of article 11.2 of the Code of Ethics, of the commencement of a sanction proceeding in which a company or a professional of the Group is the party accused or held responsible. Pursuant to the provisions of articles 24 and 25 of these Regulations, this protocol shall provide for the conduct of an inquiry and for the opening of a file in connection with the facts covered by such proceeding, as well as for a preliminary evaluation to be performed as a matter of urgency in order to allow the company to take an initial position on the measures to be adopted, including the preliminary decision concerning the appointment of counsel for the professional, the cost of which is to be borne by the respective company, guaranteeing in all cases the rights to privacy, due process, and to the presumption of innocence of the affected persons.

3. While respecting the scope of action proper to the country subholding companies and head of business companies of the Group, the Unit shall establish the framework for relations of coordination, cooperation, and information with the respective compliance units or divisions of such companies in order to promote the highest ethical standards in the crime prevention and anti-fraud areas, especially with respect to, but not limited to, investigation procedures, supervision and control activities, coordination of analysis of crime and fraud risks, and promotion of training plans.

Such framework for relations shall be determined in accordance with the provisions of the Corporate Governance System, particularly with respect to the decentralisation of effective management of the businesses of the Group and the corresponding individualisation and separation of responsibilities arising therefrom for each of the companies included therein.

Article 7. Powers regarding the Internal Regulations for Conduct in the Securities Markets

The Unit is entrusted with the duty of ensuring compliance with the Internal Regulations for Conduct in the Securities Markets, performing the duties assigned thereto by such regulations.
Article 8. Powers regarding the Legal Provisions on Separation of Activities
The Director of Compliance shall prepare an annual report regarding compliance with the legal provisions on separation of regulated activities within the Group based on the reports that for such purposes must be provided to the Compliance Divisions of the country subholding companies holding equity interests in the head of business companies carrying out regulated activities.

Once the Corporate Social Responsibility Committee has issued its opinion regarding said report, it shall submit it to the Company’s Board of Directors for its information.

Article 9. Other Powers of the Unit
The Unit shall also have such other powers, whether on a one-time or permanent basis, that are assigned thereto by the Corporate Social Responsibility Committee or the Board of Directors of the Company, or that are attributed thereto by the Corporate Governance System (particularly with respect to the Procedure for Conflicts of Interest and Related-Party Transactions with Directors, Significant Shareholders, and Senior Officers, the Action Protocol for the Management of News and Rumours, and the Internal Rules for the Processing of Inside Information).

TITLE IV. MEETINGS

Article 10. Meetings
1. The Unit shall meet as many times as the chair thereof deems is necessary to exercise the powers entrusted thereto.
2. The Unit shall also meet when the chair is so requested by the Director of Compliance.
3. The chairman of the Board of Directors, the chief executive officer, the chair of the Audit and Risk Supervision Committee, and the chair of the Corporate Social Responsibility Committee may request information meetings with the Unit on an exceptional basis.

Article 11. Call to Meeting
1. The secretary of the Unit shall, by order of the chair thereof, call the Committee to meeting at least five days in advance thereof, except in the case of urgent meetings.
2. The call to meeting shall be carried out by any means allowing for receipt thereof and shall include the agenda for the meeting.
3. No prior call to a meeting of the Unit shall be required when all of its members are present and unanimously agree to the holding of the meeting and to the items of the agenda to be dealt with.

Article 12. Place of the Meeting
1. Meetings of the Unit shall be held at such place as is designated in the call to meeting or, in the absence thereof, at the registered office of the Company.
2. Meetings of the Unit may be held in several places connected to each other by a system that permits the recognition and identification of the attendees, permanent communication among the attendees regardless of their location, and participation in discussion and the casting of votes, all in real time (including videoconference or remote attendance systems or any other similar system). The members of the Unit in attendance at any of such interconnected places shall be deemed to have attended the same meeting of the Unit for all purposes. The meeting shall be deemed to be held in the place where the largest number of Unit members is located and, if in equal numbers, where the chair of the Unit or whoever chairs the meeting in the absence thereof is located.

Article 13. Establishment of a Quorum
1. A valid quorum for Unit meetings shall be established with the attendance, in person or by proxy, of more than half of its members.
2. The chair of the Unit shall preside over meetings of the Unit. In the event of vacancy, illness, incapacity, or absence of the Unit’s chair, meetings shall be chaired by the Director of Compliance or, in the absence thereof, by the member having the longest length of service in the Unit, and if equal lengths of service, by the oldest.
3. The secretary of the Unit shall act as secretary for the meeting. In the event of the vacancy, illness, incapacity, or absence of the secretary of the Unit, the person appointed by the chair of the meeting for such purpose shall act as secretary.
4. Unit members may give a proxy to another member by notice delivered by any of the means allowing for the receipt thereof, addressed to the chair or to the secretary of the Unit and including the terms on which the proxy is given. However, they may not give a proxy in connection with matters affecting them personally or regarding which they are involved in any conflict of interest situation.

**Article 14. Resolutions**

1. Resolutions of the Unit shall be adopted by an absolute majority of the votes of the members present at the meeting in person or by proxy. In the event of a tie, the chair of the Unit shall have the tie-breaking vote.

2. All resolutions adopted shall be recorded in minutes signed by the chair and the secretary of the Unit or by the persons acting in their stead. They shall be approved at the same meeting or at the meeting held immediately thereafter and shall be entered in a book of minutes of the Unit that shall be in the custody of the secretary thereof.

3. Voting by the Unit may occur in writing without a meeting provided that no member objects thereto. In this case, the members of the Unit may deliver to the secretary thereof, who shall act on behalf of the chair, their votes and the considerations they wish to appear in the minutes. Resolutions adopted using this procedure shall be recorded in the minutes.

**Article 15. Conflicts of Interest**

1. The members of the Unit involved in a potential conflict of interest must give notice thereof to the Unit itself, which shall also have the power to resolve questions or conflicts that might arise in this regard.

2. When matters to be dealt with at meetings of the Unit affect one of its members or persons in any way related thereto, including due to a reporting relationship within the Group, and, in general, when such member is subject to a conflict of interest situation, such member must leave the meeting until a decision is made, and such member shall be subtracted from the number of Unit members for purposes of calculating the quorum and majorities with respect to the matter at hand.

**Article 16. Attendance**

1. The chair of the Unit or the Director of Compliance may request the attendance at meetings thereof of any director or professional of the Group, as well as of any member of the management decision-making bodies of the companies in which the Company has an interest whose appointment has been proposed by the Company or seek their opinion at any time.

2. These requests shall be channelled through the Office of the Secretary of the Board of Directors of the Company.

**TITLE V. RESOURCES, BUDGET, AND ANNUAL ACTIVITY PLAN**

**Article 17. Material and Human Resources**

The Unit shall have access to the material and human resources necessary to perform its duties.

**Article 18. Budget**

1. Prior to the commencement of each financial year, the Unit, at the proposal of the Director of Compliance, shall submit to the Corporate Social Responsibility Committee a draft budget for carrying out its activities during the upcoming financial year.

2. Once validated by the Corporate Social Responsibility Committee, the draft budget shall be sent to the chair of the Board of Directors, who shall present it to the Board of Directors for final approval.

**Article 19. Annual Activities Plan**

Prior to the commencement of each financial year, the Unit, at the proposal of the Director of Compliance, shall approve and submit to the Corporate Social Responsibility Committee an annual activities plan for the upcoming financial year.
TITLE VI. POWERS OF THE UNIT AND DUTIES OF ITS MEMBERS

Article 20. Powers and Advice
1. The Unit, through the Director of Compliance or the compliance divisions of the other companies of the Group, and provided that applicable law so allows, shall have access to the information, documents, and offices of the companies, directors, and professionals of the Group, including the minutes of the management, supervisory, and control bodies, necessary for the proper performance of its duties. In this regard, all professionals and directors of such companies must provide the cooperation requested by the Unit for the proper performance of its duties. These requests shall be channelled through the Office of the Secretary of the Board of Directors of the Company.

2. The Unit may also seek, at the Company’s expense and through the Office of the Secretary of the Board of Directors, cooperation or advice from outside professionals, who shall submit their reports directly to the chair of the Unit.

3. To the extent possible and provided it does not affect the effectiveness of its work, the Unit seeks to act transparently, informing the affected directors and professionals of the purpose and scope of its actions whenever practicable and appropriate.

Article 21. Duties of Unit Members
1. Unit members must act with independence of judgement and action with respect to the rest of the organisation and perform their work with the utmost diligence and professional competence.

2. Unit members shall keep confidential the deliberations and resolutions of this body and, in general, shall not disclose any information, data, reports, or background information to which they may have access while in office, nor use any of the foregoing for their own benefit or that of third parties, without prejudice to the duties of transparency and information imposed by the Company’s Corporate Governance System and by applicable law. The duty of confidentiality of the members of the Unit shall survive even after the members no longer hold such position.

TITLE VII. MANAGEMENT OF ETHICS MAILBOXES

Article 22. Management of Ethics Mailboxes
1. The Unit shall be responsible for the management of the ethics mailbox for professionals of the Group provided for in the Code of Ethics, the suppliers’ ethics mailbox provided for in the Suppliers’ Code of Ethics included in the Procurement Policy, and the ethics mailbox for shareholders provided for in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors (collectively, the “Ethics Mailboxes”).

2. In complying with such duty, the Unit must respect the rules and informing principles established for such purposes in the Code of Ethics, in the Suppliers’ Code of Ethics included in the Procurement Policy, and in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors.

3. The principles, rules of action, and guarantees established in this title shall apply to all files regarding violations that are processed by the Unit, regardless of their manner of commencement.

Article 23. Acceptance of Claims for Processing
1. Once a communication sent to one of the Company’s Ethics Mailboxes has been received, the Unit shall decide whether or not to process it.

2. If the matter affects a country subholding or head of business company of the Group that has its own compliance unit or division, or a professional assigned thereto, the Unit shall send the communication thereto in order for it to proceed with evaluation and processing in accordance with its own rules. Notwithstanding the foregoing, if the matter affects more than one country subholding or head of business company that has a compliance unit or division, or professionals assigned thereto, the processing of the file shall be coordinated by the Unit.

3. The Unit shall inform the Audit and Risk Supervision Committee of any potentially significant purely financial or accounting irregularities that are communicated to it through the Ethics Mailboxes and shall provide it with any documentation that it may request.

4. The Unit shall not process any communication in which the person making the communication is not sufficiently identified, in which the requirements in connection with the protection of personal data are not complied with, or in which it is obvious that the subject matter of the communication does not constitute a breach of the Corporate Governance System or conduct that may involve the commission of an irregularity or any illegal act or act in viola-
tion of the rules of conduct of the *Code of Ethics* or the *Suppliers’ Code of Ethics*, and which may have significant weight in determining whether to maintain the contractual relationship between the Group and the professional alleged to have committed the violation or the supplier, as applicable.

5. In order to decide whether a communication should be accepted for processing, the Unit may, if it deems it appropriate, request the person making the communication to clarify or supplement it, providing such documents and/or data as may be required to prove the existence of irregular conduct.

**Article 24. Processing of the Investigative File**

1. Once a communication has been accepted for processing, the Unit shall appoint an investigating officer to carry out the investigation and process the file, and may also entrust this work to an external investigator pursuant to the provisions of article 20.2 above. If the report is directed towards a member of the Unit, such member may not participate in the processing thereof.

2. If the report affects a member of the Board of Directors, the chair of the Unit shall inform the secretary of the Board of Directors to this end in order for the secretary to assist the chair in the processing of the investigative file, and specifically to select the investigating officer, who shall be a person from outside the Group to guarantee independence.

3. The investigating officer shall verify the truth and accuracy of the information contained in the communication and, in particular, the reported conduct, with respect to the rights of the affected parties. For such purposes, it shall establish a hearing procedure for all affected parties and witnesses to be heard and shall conduct such other proceedings as it deems necessary. All professionals of the Group are required to cooperate faithfully in the investigation. The participation of witnesses and affected parties shall be strictly confidential.

4. The hearing procedure (which shall take place within three months of receipt of the communication) shall if possible include at least a private interview with the person allegedly responsible for the reported conduct during which, with respect for the guarantee of presumption of innocence, such person shall be informed of the facts covered by the investigative file, shall be invited to provide their complete version of the facts, shall be allowed to provide relevant means of proof, and shall be asked appropriate questions depending upon the circumstances of the case and the facts reported. In addition, all affected parties shall be informed regarding the treatment of their personal data, and any other duty imposed by law on the protection of personal data shall also be complied with.

5. In all investigations, the rights to privacy, defence of rights, and presumption of innocence of the persons investigated shall be guaranteed.

6. At any time during the proceeding, the Unit and the investigating officers may seek the advice and cooperation of the Finance and Resources Division and of the Legal Affairs Division for purposes of determining the consequences and manner of action with respect to any complaint.

**Article 25. Resolution of the Investigative File**

1. Upon conclusion of the investigation, the investigating officer shall forward the investigative file together with a proposed resolution to the Unit for resolution as it deems appropriate.

2. In the event that the resolution issued concludes that a professional has committed an irregular act or act in violation of legal provisions or of the rules of conduct laid down in the *Code of Ethics* specifically directed towards professionals of the Group, the Unit shall notify the Finance and Resources Division or the division responsible for the human resources function of the relevant Group company for the application of the appropriate disciplinary measures, the adoption and content of which shall be reported to the Unit. If it is an irregular act or act in violation of legal provisions or the rules of the Corporate Governance System that affect a member of the Board of Directors, the Unit shall submit the resolution to the Appointments Committee through the secretary of the Board of Directors for application of any of the measures provided for in the Corporate Governance System, the adoption and content of which shall be reported to the Unit.

3. If the resolution rendered concludes that a supplier has committed an irregular act or an act in violation of legal provisions or of the rules of conduct laid down in the *Suppliers’ Code of Ethics*, the Unit shall notify the Procurement Division or whoever participates in procurement within the relevant company of the Group in order to exercise the appropriate contractual rights, of which the Unit shall be informed.

4. If it is verified that a breach of the Corporate Governance System has occurred that is not covered by section 2 above, the Unit shall adopt the measures that it deems appropriate.
5. If the result of the investigative file reveals the possible adoption of legal actions, the Unit shall give notice of the actions to the Legal Affairs Division for purposes of commencing the relevant governmental or court actions in each case, of which the Unit must be informed.

**Article 26. Protection of Personal Data**

1. In certain instances, the sending of personal information through the Ethics Mailboxes may, depending on the subject matter of the report, require the acquisition of express and unambiguous consent for the processing of the personal data of the person making the communication, as well as the party reported. For such purpose, the required mechanisms shall be furnished to obtain any necessary consent prior to the commencement of actions, upon the terms required by the law on personal data protection.

2. As a general rule, the reported party shall be informed of the existence of a report when the investigating officer for the proceeding commences the investigation proceeding. However, in those cases in which there is a significant risk that such notification may jeopardize the ability to effectively investigate the allegation or to gather the required evidence, such notification to the reported party may be delayed for as long as the risk exists. In any event, such period shall never exceed three months as from receipt of the report.

3. Persons making a communication through the Ethics Mailboxes must warrant that the personal data provided are true, correct, complete, and current.

4. Data processed within the framework of investigations shall be deleted as soon as any such investigation has finished, unless the measures adopted give rise to governmental or court proceedings. In addition, the Company shall keep such data duly blocked during those periods in which any liability may arise from the reports filed by Group professionals or from the steps taken by the Company.

5. Users of the Ethics Mailboxes may at any time, in accordance with the law applicable in each case, exercise the rights of access, rectification, erasure, and objection with respect to their personal data by means of written communication addressed to the registered office of the Company, complying with requirements established by the law applicable at any time and specifying the right they wish to exercise.

**TITLE VIII. COMPLIANCE AND INTERPRETATION**

**Article 27. Compliance**

1. The members of the Unit have the obligation to know and comply with these Regulations, for which purpose the secretary of the Unit shall provide them with a copy.

2. In addition, the Unit shall have the obligation to ensure compliance with these Regulations.

**Article 28. Interpretation**

1. These Regulations shall be interpreted in accordance with the Company’s Corporate Governance System.

2. Any question or dispute regarding the interpretation of these Regulations shall be resolved by majority vote within the Unit itself, and in the absence of such resolution, by the chair of the Unit, who shall be assisted by the secretary or by such persons, if any, as may be appointed by the Unit for such purpose. The Corporate Social Responsibility Committee shall be informed of the interpretation and resolution of the questions or disputes that may have arisen.

3. In the absence of a specific rule, the provisions of the Regulations of the Board of Directors regarding the operation of the Board and, in particular, those regarding the call to meetings, granting of a proxy to another director, establishment of a quorum, meetings without prior notice, proceedings at meetings and system for adopting resolutions, casting of votes in writing and without a meeting, and approval of the minutes of meetings, shall apply to the Unit to the extent that they are not inconsistent with the nature thereof.
IV.

Procedure for Conflicts of Interest and Related-Party Transactions with Directors, Significant Shareholders, and Senior Officers

25 March 2015
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PRELIMINARY TITLE. DEFINITIONS

The Procedure for Conflicts of Interest and Related-Party Transactions with Directors, Significant Shareholders, and Senior Officers (the “Procedure”), which forms part of the Corporate Governance System of IBERDROLA, S.A. (the "Company"), further develops the provisions contained in the Regulations of the Board of Directors and in the Internal Regulations for Conduct in the Securities Markets and is aimed at establishing the rules that must be followed in those situations in which there is a conflict of interest between the interest of the Company or any of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the "Group") and the direct or indirect personal interest of the directors or of persons subject to conflict of interest rules, as well as in transactions carried out by the Group with directors, with persons subject to conflict of interest rules, or with Significant Shareholders.

For purposes of these regulations, the following terms shall have the meaning set forth below:

1. Significant Shareholders: Those shareholders of the Company that, directly or indirectly, hold an interest in the share capital that is equal to or greater than that legally regarded as significant at any time or that have proposed or made the appointment of any of the directors of the Company.

2. Persons subject to conflict of interest rules:
   a) Senior officers, i.e. officers reporting directly to the Company’s Board of Directors, the chairman thereof or the chief executive officer of the Company, and, in any event, the director of the Internal Audit Area, as well as any other officer that the Board of Directors regards as such.
   b) Those persons designated by the Company’s Compliance Unit (the “Unit”) in view of the possibility of their being involved in potential conflicts of interest considering their position in the Company or the Group. The Unit shall notify them of their status as persons subject to conflict of interest rules.

3. Related persons of a director or of persons subject to conflict of interest rules:
   a) A spouse or other person related by a like relationship of affection.
   b) The ascendants, descendants, or siblings of the director or of the persons subject to conflict of interest rules or of the spouse (or another person related by a like relationship of affection) of the director or of the persons subject to conflict of interest rules.
   c) The spouses of the ascendants, descendants, and siblings of the director or of the persons subject to conflict of interest rules.
   d) The companies or entities in which the director or the person subject to conflict of interest rules or any of their respective related persons, acting personally or through a nominee, falls within any of the control situations established by applicable legal provisions.
   e) The companies or entities in which directors or persons subject to conflict of interest rules or any of their related persons, acting personally or through a nominee, hold an administrative or management position or a position for which they receive remuneration for any reason, provided, in addition, that the directors or the persons subject to conflict of interest rules also exercise, directly or indirectly, a significant influence on the financial and operational decisions of such companies or entities.

4. Related persons of a corporate director:
   a) Shareholders who, in respect of the corporate director, fall within any of the situations of control established by applicable legal provisions.
   b) Companies that form part of the same group, as such is defined by law, and the shareholders thereof.
   c) Individuals acting as a representative, administrators (in fact or in law), liquidators, and representatives holding general powers of attorney granted by the corporate director.
   d) Those persons who, in respect of the representative of the legal entity acting as director, are deemed related persons pursuant to the provisions of section 3 above applicable to individuals acting as directors.

TITLE I. CONFLICTS OF INTEREST

Chapter I.- General Provisions

Article 1.- Scope of Application of Title I

1. The purpose of this title is to establish and govern the procedure applicable to transactions or decisions in which there is a conflict, whether direct or indirect, between the interest of the Company or any of the companies of its
Chapter II.- Conflicts of Interest Involving the Directors of the Company

Article 2.- Conflict of Interest
1. A conflict of interest shall be deemed to exist in all situations in which there is a conflict, whether direct or indirect, between the interest of the Company or of any of the companies of its Group and the personal interest of a director. A personal interest of a director shall exist when a matter affects the director or a related person thereof or, in the case of a proprietary director, when it affects the shareholder or shareholders that proposed or caused the appointment thereof or persons directly or indirectly related thereto.

2. The participation of any director in the management of a company with a corporate purpose that is totally or partially analogous to the corporate purpose of the Company, or which is a competitor thereof, or the provision of services to such company, shall be governed, in addition to these regulations, by the provisions of section 1 of article 38 of the Regulations of the Board of Directors regarding the duty of directors not to compete.

3. Without prejudice to the provisions of sections 1 and 2 of this article, in those instances in which the conflict of interest situation is, or may reasonably be expected to be, of a nature such that it constitutes a situation of structural and permanent conflict between the director (or a related person in respect of such director or, in the case of a proprietary director, the shareholder or shareholders that proposed or caused the appointment thereof or persons directly or indirectly related thereto) and the Company or the companies forming part of the Group, it shall be deemed that the director does not have, or has ceased to have, the capability required to serve as such for purposes of the provisions of the Regulations of the Board of Directors.

Article 3.- Duty to Report a Conflict of Interest to the Board of Directors
1. Directors who become involved in a conflict of interest shall give written notice thereof to the secretary of the Company’s Board of Directors, who shall periodically send a copy of the notices received to the Appointments Committee, through the chair thereof.

2. The affected director must specify in the notice whether the conflict of interest affects the director personally or through a related person, in which case the director must identify such person. In addition, the director shall specify the circumstances that led to the conflict of interest and shall describe, if appropriate, the subject matter and the principal terms of the planned transaction or decision, the amount or approximate economic valuation thereof, and the department or person of the Company or of any of the companies of the Group with which the respective contacts were made.

Once the affected director becomes aware of the commencement of such contacts, such director shall give the notice immediately, and, in any event, before the respective decision is made or the respective transaction is carried out.

3. In the event of any doubt as to whether a director might be involved in a conflict of interest for any reason, the director must make the respective query to the secretary of the Board of Directors. The director must also refrain from taking any action until the secretary of the Board of Directors replies to the query, with the secretary having the power to submit the query to the Unit if the secretary so deems appropriate.

Article 4.- Duty to Abstain from Participating in Decision-making
1. The affected director must refrain from attending and participating in the deliberation and voting on those matters regarding which the director is involved in a conflict of interest, both at meetings of the Board of Directors and at any other decision-making body, committee, or division participating in the respective transaction or decision.
2. At each meeting of the Board of Directors and of the Executive Committee, the secretary of the Board of Directors shall remind the directors, before dealing with the agenda, of the abstention rule established in article 39 of the Regulations of the Board of Directors, as well as of the applicability of this Procedure. With respect to meetings of the Audit and Risk Supervision Committee, the Appointments Committee, the Remuneration Committee, and the Corporate Social Responsibility Committee, the secretary of the respective committee shall comply with the provisions of this section.

**Article 5.- Information on Conflicts of Interest**

1. The secretary of the Board of Directors shall prepare a register of directors’ conflicts of interest, which shall be continuously updated, with detailed information on each situation that arises. The information set forth in such register shall be made available to the Unit at its request, and shall periodically be made available to the Audit and Risk Supervision Committee through the Internal Audit Area Division.

2. In addition, there shall also be included in the register of directors’ conflicts of interest the information provided by the directors regarding their interest in the share capital of a company with the same, an analogous, or a supplemental line of business to that which constitutes the corporate purpose of the Company or of the companies of its Group and the positions or duties held by them therein, as well as the conduct, for their own account or for the account of third parties, of a line of business that is the same as, analogous to, or supplemental to the business that constitutes the corporate purpose of the Company and of other activities that must be disclosed to the Company in accordance with its Corporate Governance System.

3. The information described in the preceding sections shall be made public in the events and with the scope required at any time by applicable legal provisions.

**Chapter III.- Conflicts of Interest Involving Persons Subject to Conflict of Interest Rules**

**Article 6.- Conflict of Interest**

A conflict of interest shall be deemed to exist in all those situations in which there is a conflict, whether direct or indirect, between the interest of the Company or of the companies forming part of the Group and the personal interest of the person subject to conflict of interest rules. A personal interest of the person subject to conflict of interest rules shall exist when a matter affects such person or a related person.

**Article 7.- Duty to Report a Conflict of Interest to the Finance and Resources Division**

1. A person subject to conflict of interest rules who becomes involved in a conflict of interest must report such situation in writing, through a notice sent to such person’s supervisor, who shall forward such notice to the Finance and Resources Division of the Company (the “Finance and Resources Division”) or to any other body of the Company that may hereafter take over the duties of such Division. The Finance and Resources Division shall send a copy of such notice to the Unit.

2. If the conflict of interest involves a senior officer of the Company, the notice mentioned in the preceding section must be sent directly to the head of the Finance and Resources Division.

3. Persons subject to conflict of interest rules involved in the conflict of interest must specify in this notice whether the conflict involves them personally or arises through a related person, in which case they must identify such person. In addition, the person subject to conflict of interests rules shall specify the circumstances that led to the conflict and shall describe, if appropriate, the subject matter and the principal terms of the planned transaction or decision, the amount or approximate economic valuation thereof, and the department or person of the Company or of any of the companies of the Group with which the respective contacts were made.

Upon becoming aware of the commencement of such contacts, the person subject to conflict of interest rules affected by such conflict of interest shall give such notice immediately, and, in any event, before the respective decision is made or the respective transaction is carried out.

4. In the event of any doubt as to whether persons subject to conflict of interest rules might be involved in a conflict of interest for any reason, such persons must make the respective query to their supervisor, who shall forward such notice to the Finance and Resources Division. If the conflict of interest involves a senior officer of the Company, the query referred to in this section must be addressed directly to the head of the Finance and Resources Division.
Persons subject to conflict of interest rules must also refrain from taking any action until the Finance and Resources Division replies to their query. The Finance and Resources Division may, if it deems it appropriate, submit the query to the Unit.

**Article 8.- Duty to Refrain from Participating in Decision-making**

1. A person subject to conflict of interest rules must refrain from participating in or influencing decision-making by any decision-making body, committee, or division participating in the respective transaction or decision, that might affect the persons or entities with which there is a conflict.

2. A person subject to conflict of interest rules must also refrain from accessing confidential information that affects such conflict.

**Article 9.- Information regarding Conflicts of Interest**

1. The head of the Finance and Resources Division shall prepare a register of conflicts of interest affecting persons subject to conflict of interest rules, which shall be continuously updated, with detailed information on each conflict of interest that arises. The information set forth in such register shall be made available to the Unit at its request.

2. The information mentioned in the preceding section shall be made public in the events and with the scope required at any time by applicable legal provisions.

**TITLE II. RELATED-PARTY TRANSACTIONS**

**Chapter I.- General Provisions**

**Article 10.- Scope of Application of Title II**

1. The purpose of this title is to establish and govern the procedure applicable to transactions carried out by the Company or any of the companies of its Group with directors, with persons subject to conflict of interest rules, with significant shareholders, or with the respective related persons.

2. This title further develops the provisions of article 43 of the *Regulations of the Board of Directors* and of article 12 of the *Internal Regulations for Conduct in the Securities Markets*, and it shall prevail over the provisions of the *Code of Ethics* in the event of conflict therewith.

**Article 11.- Transactions Affected by Title II**

1. The transactions affected by this title are all transfers of resources, services, or obligations, regardless of whether or not they are made for valuable consideration, carried out by any of the persons mentioned in section 1 of the preceding article with the Company or with any of the companies within its Group.

2. As an exception, transactions made between the persons mentioned in section 1 of article 10 and any of the companies of the Group shall not be subject to this Procedure if such companies are listed companies and have corporate governance rules similar to those in place at the Company.

3. In the event that any of the transactions mentioned in section 1 of this article entails the successive performance of different transactions, of which the second and subsequent transactions are mere acts of execution of the first transaction, the provisions of this title shall only apply to the first transaction carried out.

**Chapter II.- Transactions with Directors and Significant Shareholders**

**Article 12.- Authorisation of the Board of Directors**

1. All transactions mentioned in this chapter shall in any event be subject to the prior authorisation of the Board of Directors of the Company or, in urgent cases, of the Executive Committee, following a favourable report from the Appointments Committee. In the event that authorisation has been granted by the Executive Committee due to the urgency of the matter, the Executive Committee shall give notice thereof to the Board of Directors at the next meeting thereof.

2. The Board of Directors, through the Appointments Committee, shall ensure that transactions with directors and significant shareholders or with the respective related persons are carried out under arm’s length conditions and with due observance of the principle of equal treatment of shareholders in the same situation.
3. In the case of customary and recurring transactions in the ordinary course of business, it shall be sufficient for the Board of Directors to give prior generic approval of the kind of transaction and of the conditions for performance thereof, following a favourable report from the Appointments Committee.

4. However, no authorisation of the Board of Directors or of the Executive Committee, as the case may be, shall be required in connection with transactions that simultaneously satisfy the following three conditions: (i) that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to a large number of customers; (ii) that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question; and (iii) that the amount thereof does not exceed one per cent of the consolidated annual income of the Company as reflected in the audited individual annual accounts for the most recent financial year closed prior to the date of the transaction in question.

**Article 13.- Reporting Duty of Directors**

1. Without prejudice to the provisions of the preceding article 12, and except as expressly permitted by the Board of Directors, directors must report in writing the transactions carried out by them and by their respective related persons, by means of a notice sent to the secretary of the Board of Directors. If no transactions have been carried out by the directors or by their respective related persons, the directors shall so report. Such notice must be sent on a semi-annual basis, within the first week of January and July of each year.

2. The notice must include the following information: the nature of the transaction; the date on which the transaction originated; the conditions and periods for payment; the name of the person who carried out the transaction and the relationship, if any, with the director; the amount of the transaction; and other aspects, such as pricing policies, guarantees given and received, and any other feature of the transactions that allows for a proper understanding of the transaction carried out, including information on transactions not made under arm’s length conditions.

3. To that end, the secretary of the Board of Directors shall send a notice to the directors on a semi-annual basis requesting the appropriate information that must be sent to the Company.

**Article 14.- Information on Transactions with Directors and Significant Shareholders**

1. The secretary of the Board of Directors shall prepare a register of the transactions carried out with directors and significant shareholders, or with the respective related persons. The information set forth in such register shall be made available to the Unit at its request, and shall periodically be made available to the Audit and Risk Supervision Committee through the Internal Audit Area Division.

2. The transactions making up the aforementioned register shall be made public in the events and with the scope required at any time by applicable legal provisions.

**Chapter III.- Transactions with Persons Subject to Conflict of Interest Rules**

**Article 15.- Authorisation of the Finance and Resources Division**

1. Any transaction mentioned in this chapter shall, in any event, be subject to the authorisation of the Finance and Resources Division.

2. The Finance and Resources Division shall ensure that transactions with persons subject to conflict of interest rules or with their related persons are carried out under arm’s length conditions.

3. In the case of customary and recurring transactions in the ordinary course of business, it shall be sufficient to give a generic approval of the kind of transaction and of the conditions for performance thereof.

4. However, no authorisation of the Finance and Resources Division shall be required in connection with transactions that simultaneously satisfy the following three conditions: that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to a large number of customers; that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question; and that the amount thereof does not exceed one per cent of the consolidated annual income of the Company as reflected in the audited annual accounts for the most recent financial year closed as of the date of the transaction in question.
Article 16.- Duty to Report Transactions to the Finance and Resources Division

1. Without prejudice to the provisions of the preceding article 15, and except as expressly permitted by the Finance and Resources Division, persons subject to conflict of interest rules must report in writing the transactions carried out by them and by their respective related persons through a notice sent to the head of the Finance and Resources Division. Such notice shall be sent on a semi-annual basis, within the first week of January and July.

2. The notice must include the following information: the nature of the transaction; the date on which the transaction originated; the conditions and periods for payment; the name of the person who carried out the transaction and the relationship, if any, with the person subject to conflict of interest rules; the amount of the transaction; and other aspects, such as pricing policies, warranties given and received, and any other feature of the transactions that allows for a proper understanding of the transaction carried out, including information on transactions not made under arm’s length conditions.

3. To that end, the head of the Finance and Resources Division shall send a semi-annual notice to the persons subject to conflict of interest rules requesting the appropriate information that must be sent to the Company.

Article 17.- Information on Transactions

1. The head of the Finance and Resources Division shall prepare a register of the transactions carried out with persons subject to conflict of interest rules. The information set forth in such register shall be made available to the Unit at its request.

2. The transactions making up the aforementioned register shall be made public in the events and with the intended scope required at any time by applicable legal provisions.
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Preamble

The Internal Regulations for Conduct in the Securities Markets (the “Regulations”), which form a part of the Corporate Governance System of IBERDROLA, S.A. (the “Company”), are issued for application thereof to the Company and the companies included within the group whose controlling entity, within the meaning established by law, is the Company (the “Group”), setting the rules governing the management and control of Inside Information, the transparent disclosure of Significant Information, the conduct of treasury share transactions, and the detection and treatment of conflicts of interest, as well as imposing certain obligations, limitations, and prohibitions on Affected Persons, Insiders, and Treasury Share Managers, all in order to protect the interests of the investors in securities of the Company and its Group and to prevent and avoid any situation of wrongdoing, yet encouraging and facilitating the participation of its directors and employees in the capital of the Company in strict compliance with applicable law.

PRELIMINARY TITLE. DEFINITIONS

Article 1. Definitions

For purposes of these Regulations, the following terms shall have the meaning set forth below:

a) Senior Officers: all those officers who report directly to the Board of Directors, the Chairman thereof, or to the chief executive officer of the Company, if any, and in every case, the director of the Internal Audit Area, as well as any other officer whose status as such is acknowledged by the Board of Directors.

b) External Advisors: those persons who, without having employee status, provide financial, legal, consultancy, or any other services to any company within the Group, in their own name or on behalf of another, and who have access to Inside Information or Significant Information because of the provision of such services.

c) CNMV: the National Securities Market Commission (Comisión Nacional del Mercado de Valores).

d) Administration and Control Division: the Company’s Administration and Control Division or such body as hereafter assumes the duties of such Division.

e) Development Division: the Company’s Development Division or such body as hereafter assumes the duties of such Division.

f) Finance and Resources Division: the Company’s Finance and Resources Division or such body as hereafter assumes the duties of such Division.

g) Confidential Documents: documents, whatever the format thereof, that contain Inside Information.

h) Treasury Share Managers: the Head of Treasury Share Management and the other persons listed in letter c) of article 2 below.

i) Inside Information: all information of a specific nature directly or indirectly referring to Affected Securities, the Company, or any of the companies within its Group, that has not been made public and that, if it is or has been made public, could appreciably influence or could have appreciably influenced the price of Affected Securities on a market or organised trading system.

It shall be deemed that information can appreciably influence listing prices when such information could be used by a reasonable investor to form part of the basis for the investment decisions thereof.

The information shall also be deemed to be of a specific nature if it indicates a series of circumstances that occur, or that may reasonably be expected to occur, or an event that has taken place, or that may reasonably be expected to take place, when such information is sufficiently specific to allow for the possibility of inferring the effect that such series of circumstances or events can have on the prices of Affected Securities.

In connection with derivative financial instruments on commodities, Inside Information shall be deemed to be all information of a specific nature that has not been made public and directly or indirectly refers to one or more of such derivative financial instruments, which the users in the markets where such products are traded would expect to receive in accordance with market practices accepted in such markets.

In any event, it shall be deemed that users in the aforementioned markets would expect to receive information directly or indirectly related to one or more derivative financial instruments when the information is regularly made available to the users in such markets or is mandatorily required to be disclosed by legal or regulatory provisions, market rules, contracts, or customs of the underlying commodities market or the market of derivative instruments on commodities in question.
The provisions contained in this definition shall also cover negotiable securities or financial instruments in respect of which an application for trading has been filed with a market or organised trading system.

j) Significant Information: all information the knowledge of which may reasonably affect an investor’s decision to acquire or transfer Affected Securities and therefore may have a material influence on the listing price thereof on secondary markets.

k) Insiders: the persons listed in letter b) of article 2 below.


m) Affected Persons: the persons specified in letter a) of article 2 below.

n) Persons subject to conflict of interest rules: persons to whom title IV applies and who are specified in article 13.1 of these Regulations.

o) Register of Treasury Share Managers: register governed by article 5 below.

p) Registers of Insiders: registers governed by the provisions of article 4 below.

q) Register of Affected Persons: register governed by the provisions of article 3 below.

r) Head of Treasury Share Management: the person appointed by the Finance and Resources Division as the person responsible for coordinating the persons participating in treasury share transactions.

s) Unit: the Company’s Compliance Unit, the internal body entrusted with the duty, among others, of ensuring compliance with these Regulations.

t) Affected Securities: (i) negotiable securities issued by the Company or entities within its Group —but excluding those issued by the listed country subholding companies that approve their own rules equivalent to these Regulations, as well as the subsidiaries thereof—that have been admitted to trading on an official secondary market or other regulated markets, within multilateral trading systems, or on other organised secondary markets; (ii) financial instruments and contracts granting the right to acquire such securities; (iii) financial instruments and contracts whose underlying assets consist of the aforementioned securities, instruments, or contracts; and (iv) securities, instruments, and contracts of entities other than the Company and entities within its Group in respect of which Affected Persons and Insiders have obtained Inside Information because of their ties with the Company and, in any case, when so expressly determined by the Unit in order to best comply with these Regulations.

TITLE I. SUBJECTIVE SCOPE OF APPLICATION AND INCLUSION IN THE REGISTER

Article 2. Subjective Scope of Application

These Regulations shall apply to the following persons, to the extent applicable:

a) The members of the Board of Directors of the Company, the secretary, the deputy secretaries, and the counsel to the Board of Directors, as well as the secretaries of the committees of the Board of Directors and the senior officers of the Company; as well as such other persons who, in accordance with applicable regulations at any time, are designated by the Unit owing to their customary and recurring access to information that may be deemed to be Inside Information for purposes of the provisions of these Regulations.

b) Those persons, including External Advisors, who have temporary or interim access to Inside Information of the Company because of their participation or involvement in a transaction, during the time that they are included in a Register of Insiders under the provisions of article 4 below, and until such time as the Inside Information that gave rise to the creation of such register is disclosed to the market by way of the communication required by applicable law, and in any event when so notified by the Unit or, by delegation therefrom, by the division or area responsible for the transaction (for example, due to the suspension or abandonment of the transaction giving rise to the Inside Information).

c) The Head of Treasury Share Management and those persons that the Unit, upon a proposal by the Company’s director of Finance and Resources, designates from among the employees of the Finance and Resources Division due to their responsibility for the management of the Company’s treasury shares, as described in article 15 of these Regulations, or due to having deemed it necessary to subject them to the rules contained in these Regulations based on their recurring access to information regarding the actions of the Company with respect to Affected Securities.

d) The persons subject to conflict of interest rules, for the purposes set forth in title IV of these Regulations.
Article 3. Inclusion in the Register of Affected Persons

1. Affected Persons shall be included in the corresponding Register of Affected Persons, which the Unit shall be responsible for preparing and updating. Such register shall include the following information:
   a) Identity of the Affected Persons.
   b) Reason why such persons have been included in the Register of Affected Persons.
   c) Dates of creation and update of such register.

2. The Register of Affected Persons shall be updated immediately in the following cases:
   a) When there is a change in the reasons why a person is included in the register.
   b) When it is necessary to add a new person to the register, in which case there shall be a notation of the date on which such circumstance occurred.
   c) When an Affected Person included in the Register of Affected Persons ceases to have access to Inside Information, in which case the date on which such circumstance occurs shall be noted.

The Unit shall review, at least on an annual basis, the identity of the persons forming part of the Register of Affected Persons.

3. The data contained in the Register of Affected Persons must be kept for at least five years from the date of creation of the register or, if subsequent thereto, from the last update thereof.

4. The Unit shall inform Affected Persons of their inclusion in the Register of Affected Persons and of the rights and other circumstances provided for in applicable legal provisions regarding the protection of personal data. In addition, the Unit shall inform Affected Persons of the fact that they are subject to the Regulations, of the inside nature of the information, of their duty of confidentiality with respect to such information, of the prohibition against using it, and of the violations and penalties that, if applicable, may arise from the improper use of Inside Information. The Unit must also provide Affected Persons with a copy of these Regulations.

5. No later than fifteen days after receiving a copy of these Regulations, Affected Persons must deliver to the Unit a duly signed consent statement, which is attached as annex 1 hereto, wherein they shall indicate the number and identity of Affected Securities held by them.

6. The Unit shall keep a copy of the Register of Affected Persons in electronic format, which shall be made available to the supervisory authorities.

Article 4. Inclusion in the Register of Insiders

1. The division or area that specifically assumes the responsibility of leading a transaction in which Inside Information may be generated for purposes of these Regulations shall designate a person responsible for creating and keeping up-to-date a Register of Insiders, which shall contain the following information:
   a) Identity of Insiders.
   b) Reason why such persons have been included in the Register of Insiders.
   c) Dates of creation and update of such register.

The person responsible for any Register of Insiders must provide the Unit with a copy.

Registers of Insiders must be updated in the same instances as the Register of Affected Persons. In addition, the data contained in a Register of Insiders must be kept at least for five years from the date of creation of the register, or if subsequent thereto, from the last update thereof.

2. The person responsible for a Register of Insiders shall inform the persons listed therein of the rights and the circumstances mentioned in article 3.4 above, as well as their obligation to inform such responsible person of the identity of any other persons to whom Inside Information is provided in the ordinary course of their work, profession or position, in order for such persons to also be included in the Register of Insiders.

3. The Unit shall keep a copy of the Register of Insiders in electronic format, which shall be made available to the supervisory authorities, for which purpose the person responsible for any Register of Insiders shall forward a copy to the Unit.

4. It shall not be necessary to prepare a Register of Insiders in connection with those transactions or processes that are of a recurring nature (such as the preparation of the annual accounts and regulated financial information) in which only the Affected Persons that are included in the register mentioned in article 3 above participate.
Article 5. Inclusion in the Register of Treasury Share Managers

1. Treasury Share Managers shall be included in the corresponding Register of Treasury Share Managers, the preparation and update of which shall be the responsibility of the Unit. Such register shall contain the following information:
   a) Identity of the Treasury Share Managers.
   b) Reason why such persons have been included in the Register of Treasury Share Managers.
   c) Dates of creation and update of such register.

2. The Register of Treasury Share Managers shall be immediately updated in the following cases:
   a) When there is a change in the reasons why a person is included in the register.
   b) When it is necessary to add a new person to the register.
   c) When the Unit, upon a proposal of the Company’s director of Finance and Resources, finds that a person who appeared in the Register of Treasury Share Managers should be removed therefrom because such person ceases to participate in the Company’s treasury share transactions, in which case the date on which such circumstance occurs shall be noted.

The Unit shall review, at least on an annual basis, the identity of the persons forming part of the Register of Treasury Share Managers.

3. The data contained in the Register of Treasury Share Managers must be kept for at least five years from the date of creation of the register or, if subsequent thereto, from the last update thereof.

4. The Unit shall inform Treasury Share Managers of their inclusion in the Register of Treasury Share Managers and of the rights and circumstances provided for in article 3.4 above. In addition, the Unit shall inform Treasury Share Managers of the need to refrain from engaging in, ordering, or participating in the process of deciding upon treasury share transactions and of immediately informing the Unit of such circumstance, as well as notifying the Company’s director of Finance and Resources if, notwithstanding the precautions adopted in compliance with applicable law and the Company’s internal regulations in this area, they have had access to any Inside Information, in order to comply with article 15.3 of these Regulations; and of the special obligation of confidentiality that they assume with respect to treasury share transactions.

5. If it is decided, with the approval of the Company’s director of Finance and Resources, that a Treasury Share Manager will participate in a transaction, in the investigation or negotiation phase, during which information susceptible of being considered Inside Information is received, the Treasury Share Manager shall refrain from engaging, ordering or participating in the process of deciding on or implementing treasury share transactions. The Treasury Share Manager must also be removed from the Register of Treasury Share Managers, noting the date on which circumstance occurs, and shall be included in the Register of Insiders for the transaction. Once the Treasury Share Manager is removed from such Registry of Insiders, the Treasury Share Manager shall again be included in the Register of Treasury Share Managers after authorisation from the Company’s director of Finance and Resources and the director of the Unit, noting the date of inclusion thereof. If the Treasury Share Manager affected by the measure is the Head of Treasury Share Management, the director of Finance and Resources must simultaneously appoint another person to perform the duties of Head of Treasury Share Management until the Head of Treasury Share Management is once again included, and give notice thereof to the CNMV.

6. No later than fifteen days after receiving a copy of these Regulations, Treasury Share Managers must deliver to the Unit a duly signed statement of consent, which is attached as annex 2 hereto, wherein they shall indicate the number and identity of Affected Securities held by them.

7. The Unit shall keep a copy of the Register of Treasury Share Managers in electronic format, which shall be made available to the supervisory authorities.
TITLE II. TRANSACTIONS IN AFFECTED SECURITIES

Article 6. Meaning of Transactions in Affected Securities
1. Transactions in Affected Securities shall be deemed to include those transactions that are carried out by Affected Persons, Treasury Share Managers, and Insiders regarding Affected Securities.

For purposes of the preceding paragraph, “transactions” shall mean any financial instruments or contracts whereby Affected Securities or voting rights carried thereby are acquired or transferred on the spot or on a forward or futures basis or whereby rights to acquire or transfer such Affected Securities are created (including options, futures, and warrants), whether on a provisional or final basis, under limited or full ownership terms, or if financial flows or exposure to changes in market value of the Affected Securities (including financial swaps) are traded or exchanged, either completely or partially.

2. For purposes of the provisions of these Regulations, transactions in Affected Securities shall be deemed to have been effected by Affected Persons, Treasury Share Managers, and Insiders not only when they are carried out by such persons directly but also when carried out by any of the following persons:
   a) The spouses of Affected Persons, Treasury Share Managers, and Insiders or any other person connected thereto by an analogous relationship of kinship under applicable law.
   b) Their dependent children.
   c) Relatives who have been living with them or have been in their care for at least one year before the date when the transaction is conducted.
   d) Any legal entity or trust that is directly or indirectly controlled by Affected Persons, Treasury Share Managers, or Insiders or that has been created for their benefit or whose financial interests are to a large extent equivalent to those of Affected Persons, Treasury Share Managers, or Insiders.
   e) Nominees, which is understood to mean persons who carry out transactions in Affected Securities in their own name on behalf of Affected Persons, Treasury Share Managers, or Insiders. Such capacity shall be presumed in the case of those persons to whom the Affected Person, Treasury Share Manager, or Insider provides total or partial coverage against the inherent risks in the transactions carried out.

3. Whenever any Affected Person, Treasury Share Manager, Insider or the persons related thereto and mentioned in the preceding section sign a discretionary portfolio management contract, such contract shall be deemed to be a transaction in Affected Securities. Therefore, the following rules shall apply to such contracts:
   a) Information to the manager: Affected Persons, Treasury Share Managers, and Insiders or the persons related thereto mentioned in the preceding section must inform the manager that the discretionary portfolio management contract is subject to these Regulations, providing a copy for these purposes.
   b) Contracts: Discretionary portfolio management contracts must contain clauses providing for one of the following conditions: (i) the express instruction that the manager not carry out transactions in Affected Securities prohibited by these Regulations, or (ii) an absolute and irrevocable warranty to the effect that the transactions shall be carried out without the participation of Affected Persons, Treasury Share Managers, and Insiders or persons related thereto, and therefore, exclusively using the professional judgement of the portfolio manager and in accordance with the criteria generally applied to customers with similar financial and investment profiles.
   c) Authorisation: Affected Persons, Treasury Share Managers, and Insiders or persons related thereto wishing to formalise a discretionary portfolio management contract must request prior authorisation from the Unit, which shall verify that the contract complies with the provisions of the preceding paragraph. A denial of the authorisation shall be duly substantiated.
   d) Prior contracts: Contracts formalised prior to the effectiveness of these Regulations must be adapted to the provisions set forth herein. Until such adaptation is carried out, Affected Persons, Treasury Share Managers, Insiders, and persons related thereto shall direct the manager not to carry out any transaction in the Affected Securities.
Article 7. Limitations on Transactions in Affected Securities

1. Affected Persons may not conduct transactions in Affected Securities:
   a) When they have Inside Information concerning the Affected Securities or the issuer thereof pursuant to the pro-
      visions of article 9.5 of these Regulations, except for the instances provided for therein.
   b) When expressly determined by the Unit in order to best comply with these Regulations.

   Insiders may not conduct transactions in Affected Securities while they have such status, except for the instances
   contemplated in the aforementioned article 9.5.

2. When Affected Persons (other than members of the Board of Directors) have any questions regarding transactions
   in Affected Securities, they must submit them to the director of Finance and Resources or to the director of the Unit,
   who may forward them to the Unit. Affected Persons must refrain from taking any action until they have received
   an answer to their inquiry from the director of Finance and Resources or the director of the Unit, as applicable. The
   members of the Board of Directors shall follow the same procedure, submitting their questions to the Office of the
   Secretary of the Board of Directors, which will make a decision in consultation, if applicable, with the Unit.

3. Transactions in Affected Securities may not be conducted during the seven days preceding each presentation of
   profits or losses, which date shall be previously communicated by the Unit to the Affected Persons and the Treasury
   Share Managers. The Unit may provide that the aforementioned period be greater and may also apply the rules on
   suspension of transactions in Affected Securities to other cases in which, because of their nature, such suspension is
   advisable, of which it shall notify the Affected Persons and the Treasury Share Managers and inform the Corporate
   Social Responsibility Committee at the next meeting held thereby.

4. The Unit may decide that the conduct of any transactions in Affected Securities or of those transactions whose
   amount exceeds a certain threshold be submitted for prior authorisation, of which it shall notify the Affected
   Persons and the Treasury Share Managers.

Article 8. Notification of Transactions in Affected Securities

1. Within five trading days of carrying out any transactions in Affected Securities, Affected Persons and Treasury
   Share Managers shall send a notice to the Unit, by any means allowing for the receipt thereof, indicating the date,
   the holder, the type, the volume, the price of the transaction, the number and description of the Affected Securities,
   the proportion of voting rights attributed to the Affected Securities held by them following the transaction, the mar-
   ket on which the transaction has been carried out, the name of the Affected Person or Treasury Share Manager,
   or where applicable, the identity of any of the persons mentioned in article 6.2 above who have conducted the
   transaction, as well as the broker through which the transaction was effected.

   In the case of directors, the duty to notify the Unit of the proportion of voting rights attributed to the Affected
   Securities held by them shall also apply upon acceptance of their appointment and upon their withdrawal as
   directors, and shall apply, in the case of appointment, from the trading day following the day of their acceptance.

2. Affected Persons (other than members of the Board of Directors, Treasury Share Managers, and Insiders (other
   than External Advisors) shall report to the Unit any portfolio management contracts executed by them within five
   business days of the date of execution, and must provide the aforementioned body, on a semi-annual basis, with a
   copy of the information sent to them by the portfolio manager in relation to the Affected Securities, including the
   date, number, price, and type of transactions conducted. The members of the Board of Directors of the Company,
   the secretary, the deputy secretaries and the counsel to the Board of Directors, as well as the secretaries of the com-
   mittees of the Board of Directors, shall send such notifications upon the same terms to the Office of the Secretary
   of the Board of Directors.

3. In addition, the Unit may request any Affected Person, Treasury Share Manager, or Insider (except External
   Advisors) to report thereto in sufficient detail, or to supplement information already provided, regarding any
   transaction that may fall under the provisions of these Regulations, including their position in connection with the
   Affected Securities. Such request must be answered within seven business days.

4. The Unit shall keep a register of the communications mentioned in the preceding sub-sections. The content of such
   register shall be confidential and may only be disclosed to the Board of Directors or to such person as it designates
in the course of a specific action, as well as to court and governmental authorities within the framework of applicable proceedings.

5. The provisions of the foregoing sections shall be deemed to be without prejudice to the obligations binding upon directors and Senior Officers to report transactions in Affected Securities to the CNMV in compliance with applicable legal provisions.

The Unit shall inform each of the persons to whom this section applies of the obligation to comply with it.

**TITLE III. TREATMENT OF INSIDE INFORMATION AND OF SIGNIFICANT INFORMATION**

**Article 9. Inside Information**

1. The heads of the various Divisions and persons in charge of financial or legal transactions under study or negotiation who receive or generate information that may qualify as Inside Information must report any such circumstance to the Unit on a case-by-case basis as soon as any such circumstance occurs, by means that adequately ensure the confidentiality of such information. The Unit may or may not determine the information to be Inside Information.

2. All Affected Persons as well as Insiders (except External Advisors) are required to be aware of and comply with the regulations and internal procedures established regarding the confidentiality of Inside Information.

3. In the case of External Advisors, a confidentiality undertaking must be signed with the Company prior to the transfer of any Inside Information, except when they are subject to a duty of professional secrecy under the rules of their profession. External Advisors shall be informed in any event of the inside nature of the information provided to them and of the obligations they assume with respect thereto, as well as their inclusion within the Register of Insiders, and shall be required to state that they are aware of all of the above.

4. With respect to Inside Information, it shall be required to:

   a) Limit knowledge thereof strictly to those persons, inside or outside the Group, for whom access to the knowledge is essential, with special care taken to ensure that no Treasury Share Manager has access thereto.

   b) Keep a Register of Insiders for each transaction, in accordance with the provisions of article 4 of these Regulations.

   c) Establish security measures for the custody, filing, reproduction, and distribution of, and access to, the Inside Information.

   d) Monitor the market changes in the listing prices and trading volumes of the Affected Securities, as well as rumours and the news reported by professional broadcasters of financial information and media regarding the Affected Securities, which shall be the responsibility of the Finance and Resources Division of the Company in coordination with the Unit.

   e) Immediately report to the Unit on the status of a transaction that is currently in course, or provide a preview, in the event that there are unusual changes in trading volumes or prices of the Affected Securities and reasonable signs exist that such changes are the result of the early, partial, or distorted disclosure of the transaction.

   f) Subject transactions in the company’s own shares or financial instruments based thereon to measures aimed at preventing investment or divestment decisions being affected by the knowledge of Inside Information.

5. All Affected Persons or Insiders in possession of Inside Information must refrain from engaging, whether for their own account or the account of another, directly or indirectly, in the following conduct:

   a) Preparing or carrying out any kind of transaction in the Affected Securities to which any such Inside Information may refer. This excludes preparing and carrying out transactions whose existence itself constitutes the Inside Information, as well as transactions effected pursuant to a pending obligation to acquire or transfer negotiable securities or financial instruments when such an obligation is contemplated in an agreement entered into before the person in question has come into possession of the Inside Information, or by a manager pursuant to a discretionary portfolio management contract signed by an Affected Person, an Insider, or by any person related thereto in accordance with the provisions of article 6.2, as well as other transactions effected in accordance with applicable legal provisions.

   b) Disclosing such information to third parties other than in the normal course of their work, profession, or position, provided, however, that those to whom the information is disclosed in the normal course of their work, profession, or position must be subject, by law or under contract, to a duty of confidentiality and that they have confirmed to the Company that they have the necessary means to protect it.
c) Recommending a third party to acquire or transfer the Affected Securities or to have someone acquire or transfer the Affected Securities based on the Inside Information.

6. Additionally, all Affected Persons or Insiders in possession of Inside Information shall be required to:
   a) Safeguard it, without prejudice to their duties of communication and cooperation with court and administrative authorities under the terms set forth in the LMV and other applicable legal provisions.
   b) Adopt appropriate measures calculated to prevent the Inside Information being the subject of improper or unfaithful use.
   c) Give immediate notice to the Unit of any improper or unfaithful use of Inside Information of which they are aware.

7. Except for the circumstance provided for in article 5.5 of these Regulations, the preceding sections 1 to 6 of this article shall not apply to Treasury Share Managers, who are not authorised to access Inside Information.

8. If a Treasury Share Manager gains access to any Inside Information despite the precautions adopted in compliance with applicable law and the internal regulations of the Company in this area, they shall refrain from conducting, ordering, or participating in the process of deciding on or implementing treasury share transactions. In addition, they must give immediate notice of such circumstance to the Unit, as well as the Company’s director of Finance and Resources, who shall take the appropriate measures in such regard, including the temporary replacement of the person who has had access to the Inside Information in their duties with respect to treasury shares. If the Treasury Share Manager having access to the Inside Information is the Head of Treasury Share Management, and the measure consists of the temporary replacement thereof, the director of Finance and Resources must simultaneously appoint another person to perform the duties of the Head of Treasury Share Management for so long as such measure remains in effect, and give notice thereof to the CNMV.

Article 10. Confidential Documents

1. Affected Persons and Insiders in possession of Confidential Documents must act diligently in the use and handling thereof and shall be responsible for their custody and preservation and for keeping them confidential.

2. Specifically, and without prejudice to any additional measures that may be established by the Unit, Affected Persons and Insiders shall subject the use, handling, and processing of Confidential Documents to the following rules (or, in the case of External Advisors, to such similar provisions as may be in place at the organisations to which they belong):
   a) The persons in charge of the custody thereof shall be identified. Such persons shall be those entrusted with coordination of the work to which the Inside Information refers. In the case of documents in electronic format, adequate security mechanisms shall be established to limit access only to the persons in charge.
   b) They must be marked “confidential,” with an indication that the use thereof is restricted. In the case of documents in electronic format, the confidential nature thereof shall be indicated before the information can be accessed.
   c) They shall be kept in places set aside for such purposes, and designated cabinets or electronic formats shall be determined for local filing purposes, which shall be fitted or equipped with special protective measures.
   d) The reproduction thereof shall require the authorisation of the director of the area in charge of keeping custody thereof. Recipients of reproductions or copies must be advised of the prohibition against obtaining second copies and using the information for purposes other than those for which it was disclosed to them.
   e) The distribution thereof shall preferably be by means of hand delivery when they are in hard-copy format. If this is not possible, protective measures must be maximised, and the persons in charge of keeping custody of the Confidential Documents shall be responsible for any such distribution. If the distribution is in electronic format, exclusive access by the recipient of the Confidential Documents shall be ensured.
   f) The disposal thereof must be handled in such a way as to ensure the complete destruction thereof.

3. The areas that handle Inside Information and any others determined by the Unit shall not allow access to their records, files, or computer systems to any person who is not a member thereof, unless authorised by the director of the area in question in the customary decision-making processes previously established by Company; or to any Treasury Share Manager.
Article 11. Significant Information

1. All Significant Information shall be immediately reported to the CNMV as soon as the fact becomes known, the decision has been adopted, or the agreement or contract has been signed. The Significant Information may not be disseminated by any other means without prior publication thereof on the website of the CNMV. Furthermore, the content of the Significant Information disseminated to the market by any information or communication channel other than the CNMV must be consistent with that communicated to the CNMV. In addition, any significant change that has occurred in the Significant Information reported shall be disclosed to the market immediately by the same means.

2. The content of the report shall be truthful, clear, and complete. The information shall be stated in a neutral manner, without bias or value judgements that prejudice or distort the scope thereof, applying the same standards to Significant Information regardless of whether it might favourably or unfavourably affect the listing price of the Affected Securities.

3. Significant Information shall be disclosed on the Company’s website. The content and dissemination of the Significant Information shall, in any event, comply with the regulations of the securities markets applicable at any time to regulated information.

4. Significant Information must be reported to the CNMV by the secretary of the Board of Directors or, in the absence thereof, by one of the deputy secretaries of the Board of Directors or such person as is designated by either of the former, within the deadlines and in accordance with the formalities established in applicable regulations.

5. The Company shall designate at least one authorised spokesperson before the CNMV to respond effectively and with sufficient speed to questions, verifications, or requests for information by the CNMV regarding the dissemination of Significant Information.

6. This duty of information shall not apply, provided that due confidentiality safeguards are maintained, to acts of analysis, preparation, or negotiation prior to the adoption of decisions regarded as significant, particularly ongoing negotiations, or circumstances related thereto, when the outcome or normal progress of such negotiations may be affected by the public dissemination of the information, as well as the decisions adopted or the agreements entered into by the Company’s management decision-making bodies that require the approval of another body of the Company or of the Group to become effective, provided that the public dissemination of the information prior to such approval may jeopardise the correct assessment of the information by the market.

Notwithstanding the foregoing, the Company must immediately disseminate the information if it cannot guarantee the confidentiality thereof.
7. Meetings of a general nature with analysts, investors, or the media must be planned in advance so as to ensure that persons participating in any such meetings do not disclose Significant Information that has not been previously disclosed to the market as indicated in this article.

Article 12. Manipulation of Market Prices
1. Affected Persons, Treasury Share Managers, and Insiders must refrain from preparing or engaging in any type of practice that distorts the free formation of prices on securities markets.
2. Such transactions or orders shall be deemed to be those that:
   a) Provide or may provide false or misleading signals regarding the supply, demand, or price of negotiable securities or financial instruments.
   b) Assure the price of one or more financial instruments at abnormal or artificial levels through the concerted action of one or more persons, unless the person who has engaged in the transactions or issued the orders can show legitimate reasons that are consistent with accepted market practices in the regulated market in question.
   c) Use fictitious devices or any other form of deception or scheming.
   d) Involve the disclosure of information through the media, including the internet, or through any other medium, providing or that may provide false or misleading signs concerning financial instruments, including the spreading of rumours and false or misleading news, when the person disclosing them knows or should have known that the information was false or misleading.
3. The following acts shall also be deemed to amount to practices that distort the free formation of prices:
   a) The acts of a person or of several persons acting in concert directed at ensuring for themselves a dominant position on the supply of or the demand for a security or financial instrument, resulting, directly or indirectly, in the establishment of purchase or sale prices or other non-equitable trading conditions.
   b) The sale or purchase of a security or financial instrument at the close of the market with the effect of misleading investors who act on the basis of closing prices.
   c) Taking advantage of occasional or periodic access to traditional or electronic media by expressing an opinion regarding a security or financial instrument or, indirectly, the issuer thereof, after having taken positions on such security or financial instrument and having thus benefited from the repercussions of the opinion expressed on the price of such security or financial instrument, without having simultaneously disclosed such conflict of interest to the public opinion in an adequate and effective fashion.

TITLE IV. CONFLICTS OF INTEREST

Article 13. Conflicts of Interest
1. A conflict of interest shall be deemed to be any situation in which the interest of the Company or of any of the companies of its Group directly or indirectly clash with the interest of the Affected Persons, Treasury Share Managers, Insiders, or such other persons who, based on the possibility of their having potential conflicts of interest in view of the position they hold with the Company or its Group, are designated by the Unit, or the persons related thereto.
2. In cases of conflict of interest the following general operating principles must be complied with:
   a) Independence: Act at all times with independent judgement, with loyalty towards the Company and its shareholders and regardless of their own or third parties’ interests. Accordingly, they must avoid prioritising their own interests at the expense of those of the Company.
   b) Abstention: Refrain from participating in or influencing the making of decisions that may affect the persons or entities with which a conflict exists and from accessing confidential information affecting such conflict.
   c) Communication: Notify the Finance and Resources Division of the conflicts of interest to which they are subject. The provisions of this article may be further developed by corresponding rules approved by the Board of Directors of the Company.
3. Directors of the Company shall be governed in this field by the provisions of the Regulations of the Board of Directors and the rules that the Board of Directors may have made by way of implementation of such Regulations of the Board of Directors, including the provisions set forth in the Procedure for Conflicts of Interest and Related-Party Transactions with Directors, Significant Shareholders, and Senior Officers.
Article 14. Transactions with Persons Subject to Conflict of Interest Rules

Transactions between the Company or any of the companies of the Group and any of the persons subject to conflict of interest rules must be carried out under arm’s length conditions and in compliance with such other rules as may be made by the Board of Directors of the Company by way of implementation of the provisions of this article and, in particular, in compliance with the provisions set forth in the Procedure for Conflicts of Interest and Related-Party Transactions with Directors, Significant Shareholders, and Senior Officers.

TITLE V. TREASURY SHARE TRANSACTIONS

Article 15. Treasury Share Transactions regarding Shares of the Company

1. For purposes of these Regulations, treasury share transactions shall be deemed to be those carried out by the Company, whether directly or through any of the companies of the Group, covering shares of the Company, as well as financial instruments or contracts of any kind, whether or not traded on a Stock Exchange or other organised secondary markets, which grant the right to acquire or whose underlying assets are, shares of the Company.

2. Treasury share transactions shall always pursue lawful aims, such as, among others, providing investors with sufficient liquidity and depth in the trading of shares of the Company, implementing programmes for the purchase of the Company’s own shares approved by the Board of Directors or the shareholders acting at a General Shareholders’ Meeting, complying with legitimate previously agreed commitments, or any other purpose allowed under applicable law. In no event may treasury share transactions be used to intervene in the free formation of prices, generating deceptive volume signals, that might cause the appearance that the volume of supply or demand for the Company’s shares is greater than what would result from the free play of offer and demand, and mislead an investor with respect to liquidity levels. In particular, any conduct referred to in section 231.1 of the LMV, section 2 of Royal Decree 1333/2005 of November 11 further developing the LMV and regarding market abuse, and article 12 of these Regulations shall be avoided.

3. Treasury share transactions by the Group shall in no event be carried out based on Inside Information.

4. The management of treasury shares shall be implemented with complete transparency in the relations with supervisors and market regulators.

5. The Finance and Resources Division, as the body responsible for conducting treasury share transactions, shall perform the following duties:
   a) Appoint the Head of Treasury Share Management, who will report monthly to the Audit and Risk Supervision Committee on treasury share transactions and financial instruments and contracts of any kind traded on organised secondary markets that give the right to acquire or whose underlying assets are such shares.
   b) Report the appointment of the Head of Treasury Share Management to the CNMV.
   c) Manage treasury shares in accordance with the provisions of this article.
   d) Monitor the market performance of the shares of the Company.
   e) Keep a file of all treasury share transactions that have been ordered and carried out.
   f) Through the Head of Treasury Share Management, inform the Unit, at the request thereof, regarding changes in the price of the Company’s shares on the markets and regarding treasury share transactions carried out, as well as report such transactions to the CNMV in compliance with applicable rules and regulations, and also regarding the liquidity agreement that the Company has signed or is going to sign with a market member.

6. The Company shall cause treasury share management to be impermeable with respect to the rest of its activities. For such purposes, Treasury Share Managers shall make a special commitment to maintain confidentiality with respect to treasury share transactions.

7. In treasury share transactions, the Group shall observe, in addition to the provisions of this article, all obligations and requirements that may arise from rules and regulations applicable thereto at any time, and shall only depart from the standards regarding discretionary treasury share transactions recommended by regulatory bodies when there are grounds for doing so. In this latter case, the Head of Treasury Share Management must so inform the Audit and Risk Supervision Committee.
TITLE VI. PERSONAL TRANSACTIONS BY TREASURY SHARE MANAGERS

Article 16. Restrictions on Personal Transactions by Treasury Share Managers
1. Treasury Share Managers shall refrain from using corporate resources of the Company to enter into transactions in securities or financial instruments for their own account.
2. Treasury Share Managers shall refrain from entering into advance transactions for their own account regarding Affected Securities or other securities of listed companies in which the Company has an interest when they are aware of upcoming activities of the Company regarding such securities, as well as from entering into any other transactions that constitute a use for their own benefit of the information obtained as a result of their participation in the management of the Company’s treasury shares.

For purposes of compliance with the provisions of this title VI, the Unit shall keep an updated list of the listed companies in which the Company has an interest, transactions in the securities of which certain restrictions and informational obligations are established for the Treasury Share Managers, to be made available thereto for consultation in the event that questions arise.

Article 17. Notice of Transactions in Affected Securities
1. Without prejudice to other obligations to notify the Unit set forth in these Regulations, Treasury Share Managers shall notify the Unit by any means that allows for the receipt thereof, in advance and at least twenty-four hours prior to giving the relevant order, before entering into transactions for their own account in Affected Securities or other securities of listed companies in which the Company has a direct interest.

If the notice cannot be provided with the minimum advance period of twenty-four hours due to reasons of urgency, it may be made with a lesser period of advance notice, but in such case the prior authorisation of the director of the Unit must be obtained before entering into the corresponding transaction.

2. For Treasury Share Managers, the obligation to provide notice set forth in article 8.1 of these Regulations shall cover transactions for their own account in other securities of listed companies in which the Company holds a direct interest, in addition to transactions in Affected Securities.

3. The register of notices referred to in article 8.4 of these Regulations shall also include the notices referred to in this article.

TITLE VII. COMPLIANCE UNIT

Article 18. Rules Applicable to the Unit within the Framework of these Regulations
1. The Unit shall ensure that these Regulations are observed, and its duties for such purpose shall include:
   a) Promoting the awareness by Affected Persons, Treasury Share Managers, and Insiders and by the Group in general of these Regulations and other rules governing conduct with respect to the securities markets.
   b) Answering any questions or queries that may arise in connection with the content, interpretation, application, or fulfillment of these Regulations that may be raised by the Finance and Resources Division, or the Office of the Secretary of the Board of Directors, without prejudice to the possibility of to the Board of Directors those issues that the Unit deems necessary or appropriate.
   c) Determining the persons who are to be considered Affected Persons for purposes of these Regulations pursuant to the provisions of article 2.
   d) Preparing and updating the Register of Affected Persons and the Register of Treasury Share Managers as provided for in articles 3 and 5 above.
   e) Informing Affected Persons and Treasury Share Managers of their inclusion in the Register of Affected Persons or Register of Treasury Share Managers, as applicable, and of the other circumstances referred to in articles 3.4 and 5.4 above, as applicable.
   f) Keeping a copy of the Register of Affected Persons, of the Register of Insiders, and of the Register of Treasury Share Managers in electronic format and available to the supervising authorities, as provided in articles 3, 4, and 5 above.
   g) Determining the securities, instruments, and contracts that are to be considered Affected Securities for purposes of these Regulations pursuant to the provisions of letter v) of article 1 above.
   h) Giving the relevant authorisations so that Affected Persons, Treasury Share Managers, and Insiders or the persons related thereto may enter into a discretional portfolio management agreement in accordance with the provisions of article 6.3 above.
i) Determining which transactions in Affected Securities are deemed to be prohibited pursuant to the provisions of article 7.1.b) above.

j) Determining the information to be considered as Inside Information for purposes of these Regulations pursuant to the provisions of article 9.1 above.

k) Establishing and modifying criteria, definitions, and procedures in connection with the duties and obligations established in these Regulations when deemed necessary for the correct interpretation and implementation hereof.

l) Determining the restricted-access records, files, and electronic systems for the purpose of using, processing, and handling Inside Information pursuant to the provisions of article 10 above.

m) Identifying those persons, other than members of the Board of Directors of the Company and Senior Officers, who must be included in the concept of persons subject to conflict of interest rules pursuant to article 13.1 above.

n) Keeping an updated list of listed companies in which the Company has an interest, with respect to which certain restrictions and reporting obligations regarding transactions in the securities thereof are established for Treasury Share Managers, to be made available thereto.

o) Keeping on file and keeping custody of all communications sent thereto in compliance with these Regulations.

p) Developing the procedures and rules deemed appropriate for the application of these Regulations, which may be regularly submitted for assessment to an internal or external body or entity that shall in all cases be independent of the Unit, and that shall review the effectiveness and conformity of such procedures and rules with the application of these Regulations.

q) Any other specific or permanent duty that may be assigned thereto by the Board of Directors of the Company.

2. The Unit may request such data and information from the Finance and Resources Division and any other division of the Company as it deems necessary for the performance of its duties.

3. The Unit shall inform the Corporate Social Responsibility Committee of the measures taken to promote awareness of and ensure compliance with these Regulations and the applicable rules and regulations concerning the securities markets at least on an annual basis, and whenever it may see fit or be required to do so.

4. In addition, the Unit shall notify both the Office of the Secretary of the Board of Directors and the Finance and Resources Division of the conclusions and resolutions it adopts in the performance of its duties.

5. The Unit may include content within the Employee Portal in order to promote the awareness of these Regulations and of the rules for conduct by the Group’s professionals in the securities markets, as well as to establish software applications so that Affected Persons, Treasury Share Managers, and Insiders have the possibilities set forth below, by way of example and not limitation:

a) To view these Regulations.

b) To view its implementing rules that are approved by the Board of Directors or the Unit itself.

c) To be aware of the interpretations of the Unit regarding aspects of these Regulations that have given rise to questions.

d) To download the forms required to seek authorisations or make any mandatory communications.

e) To inform the Unit, through software applications, of their transactions in Affected Securities, pursuant to the provisions of article 8 of these Regulations, or such other transactions for which notice must be given pursuant to these Regulations.

f) To inform the Unit through e-mail of any misuse or disloyal use of Inside Information of which they are aware, pursuant to the provisions of article 9.6.c) of these Regulations.

6. The members of the Unit shall maintain secrecy regarding the deliberations and resolutions of this body, and shall generally refrain from disclosing the information, data, reports, or background to which they have access in the performance of their duties, and to refrain from use thereof for the benefit of themselves or third parties, without prejudice to the transparency and reporting obligations provided for in the Company’s Corporate Governance System and in applicable law. The obligation of confidentiality for the members of the Unit shall remain in force even after they no longer hold their position.

**TITLE VIII. BREACH**

**Article 19. Breach**

Failure to comply with the provisions of these Regulations shall have the consequences provided for by applicable law.
ANNEX 1. Internal Regulations for Conduct in the Securities Markets

Consent Statement for Affected Persons

To the Compliance Unit

The undersigned, ................................................................., with Tax ID Number/Passport ...............……, hereby declares that he/she has received a copy of the Internal Regulations for Conduct in the Securities Markets (the “Regulations”) and expressly states that he/she is in agreement with the content thereof.

Furthermore, the undersigned declares that he/she directly or indirectly holds the following Affected Securities (as such term is defined in the Regulations):

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<tr>
<th>Nature of the security</th>
<th>Issuer</th>
<th>Direct securities</th>
<th>Indirect securities(*)</th>
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(*) Through:

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<tr>
<th>Name of the direct holder of the security</th>
<th>ID Number of the direct holder of the security</th>
<th>Issuer</th>
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In addition, the undersigned declares that he/she has been informed that:

(i) The improper use of the Inside Information to which he/she may have access might amount to a very serious infringement provided for in section 282 of Royal Legislative Decree 4/2015 of 23 October approving the restated text of the Securities Markets Act (“LMV”), a serious infringement contemplated in Section 295 of such act, or the crime of abuse of inside information in the stock exchange market contemplated in section 285 of Implementing Law 10/1995 of November 23 of the Criminal Code (the “Criminal Code”).

(ii) The improper use of Inside Information may be punished in the manner provided for by sections 302 and 303 of the LMV and by section 285 of the Criminal Code, with fines, public reprimands, removal from office, and imprisonment.

Finally, pursuant to the provisions of Personal Data Protection Implementing Act 15/1999 of 13 December, the undersigned declares that he/she has been informed that his/her data of a personal nature contained in this statement and provided subsequently on occasion of the notifications made in compliance with the Regulations being processed and included in a file under the responsibility of IBERDROLA, S.A., domiciled in Bilbao (Biscay), at Plaza Euskadi, number 5, for purposes of the implementation and control of the provisions of the Regulations, and gives his/her consent thereto.

In addition, the undersigned declares that he/she has been informed that he/she may exercise the rights of access, rectification, deletion, or opposition, based on the provisions of applicable law in connection therewith, by contacting IBERDROLA, S.A. in writing at the address set forth above.

As regards the personal data, if any, provided with respect to other individuals, the undersigned declares that he/she has previously informed them regarding the processing by IBERDROLA, S.A. and of their respective rights, on the terms set forth above, and that he/she has obtained their consent and undertakes to provide to IBERDROLA, S.A., upon request at any time, written evidence that such consent has been obtained.

In ................., on this .................. day of 20......

Signed: ...........................................
ANNEX 2. Internal Regulations for Conduct in the Securities Markets

Consent Statement for Treasury Share Managers

To the Compliance Unit

The undersigned, ...................................................................., with Tax ID Number/Passport …………… here-by declares that he/she has received a copy of the Internal Regulations for Conduct in the Securities Markets (the “Regulations”) and expressly states that he/she is in agreement with the content thereof.

Furthermore, the undersigned declares that he/she directly or indirectly holds the following Affected Securities (as such term is defined in the Regulations):

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<th>Direct securities</th>
<th>Indirect securities(*)</th>
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In addition, the undersigned declares that he/she has been informed that:

(i) Transactions in the treasury shares of the IBERDROLA, S.A. group shall not in any case be conducted on the basis of Inside Information.

(ii) The improper use of the Inside Information to which he/she may have access might amount to a very serious in-fringement provided for in section 282 of Royal Legislative Decree 4/2015 of 23 October approving the restated text of the Securities Markets Act (“LMV”), a serious infringement contemplated in section 295 of such act, or the crime of abuse of inside information in the stock exchange market contemplated in section 285 of Implementing Law 10/1995 of 23 November of the Criminal Code (the “Criminal Code”).

(iii) The improper use of Inside Information may be punished in the manner provided for by sections 302 and 303 of the LMV and by section 285 of the Criminal Code, with fines, public reprimands, removal from office, and imprisonment.

(iv) In the event that, despite the precautions adopted in compliance with applicable law and the internal regulations of IBERDROLA, S.A. in this area, he/she has access to any Inside Information, he/she must refrain from conducting, ordering, or participating in the process for deciding the treasury share transactions and must give immediate notice thereof to the Compliance Unit, as well as to the director of Finance and Resources.

(v) Without prejudice to the confidentiality obligations applicable thereto as an employee of IBERDROLA, S.A., the undersigned, as a Treasury Share Manager, assumes a special commitment of confidentiality with respect to treasury share transactions.

In particular, there is an obligation to keep confidential and not communicate or disclose to third parties, whether directly or indirectly, any information regarding strategy or transactions with respect to treasury shares of IBERDROLA, S.A., or any other information that the undersigned becomes aware of while registered with the Register of Treasury Share Managers as a result of the exercise of the duties thereof regarding the management of the treasury shares of IBERDROLA, S.A., without the consent thereof, except in the exercise of duties regarding the management of the treasury shares or by legal mandate.
In addition, the undersigned undertakes to use such information solely for the purpose of complying with the undersigned’s duties regarding the management of the treasury shares of IBERDROLA, S.A. and to refrain from performing any transactions that constitute a use for his/her own benefit or that of third parties.

Finally, pursuant to the provisions of Personal Data Protection Implementing Act 15/1999 of 13 December, the undersigned declares that he/she has been informed that his/her data of a personal nature contained in this statement and provided subsequently on occasion of the notifications made in compliance with the Regulations being processed and included in a file under the responsibility of IBERDROLA, S.A., domiciled in Bilbao (Biscay), at Plaza Euskadi, number 5, for purposes of the implementation and control of the provisions of the Regulations, and gives his/her consent thereto.

In addition, the undersigned declares that he/she has been informed that he/she may exercise the rights of access, rectification, deletion, or opposition, based on the provisions of applicable law in connection therewith, by contacting IBERDROLA, S.A. in writing at the address set forth above.

As regards the personal data, if any, provided with respect to other individuals, the undersigned declares that he/she has previously informed them regarding the processing by IBERDROLA, S.A. and of their respective rights, on the terms set forth above, and that he/she has obtained their consent and undertakes to provide to IBERDROLA, S.A., upon request at any time, written evidence that such consent has been obtained.

In ................., on this ................ day of 20......
Signed: ...........................................
VI.

Internal Rules for the Processing of Inside Information
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TITLE II. ACTION PROTOCOL IN THE EVENT OF A LEAK OR UNLAWFUL USE OF INSIDE INFORMATION 318
Preamble

These Internal Rules for the Processing of Inside Information (the “Rules”) form part of the Corporate Governance System of IBERDROLA, S.A. (the “Company”) and are approved by the Company’s Board of Directors upon a proposal of the Compliance Unit, elaborating upon the Internal Regulations for Conduct in the Securities Market (the “Internal Regulations for Conduct”), article 9.4.c) of which provides that security measures shall be established for the custody, filing, access, reproduction, and distribution of Inside Information, as such term is defined in such Internal Regulations for Conduct.

To such end, these Rules establish the rules governing the management, control, and internal and external transmission of Inside Information, whatever the location, format, supporting media, or means of transmission thereof, in order to protect the interests of shareholders and investors and to prevent and avoid any instances of misuse. For such purposes, the Compliance Unit has especially taken into account the Guidelines for the Transmission of Inside Information to Third Parties (Guía de Actuación para la Transmisión de Información Privilegiada a Terceros) published by the Secondary Markets Department of the National Securities Market Commission (Comisión Nacional del Mercado de Valores) on 9 March 2009.

PRELIMINARY TITLE

Article 1. Definitions

Capitalised terms used in these Rules and not expressly defined shall have the meaning ascribed to them in the Internal Regulations for Conduct. For purposes of these Rules, the following terms shall have the meaning ascribed below:

a) Director of the Area: means the director of the Area responsible for coordinating the work or transaction to which the Inside Information refers and for keeping custody of such information.

b) Guide: the Guide to Protecting Private and Confidential Information prepared by the Company’s Finance and Resources Division, which shall apply in the alternative to all matters not expressly contemplated by these Rules.

c) Insiders: the persons defined as such in the Internal Regulations for Conduct, including, for these purposes, External Recipients.

d) Authorised Persons: means, within the context of a specific transaction or activity in which Inside Information is received or generated, the group of Affected Persons and/or Insiders that are authorised to access such information.

e) External Recipients: means those persons outside of the companies within the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), that need to know the Inside Information in order to be able to provide their professional services (for example, to give advice on or analyse a transaction) or to carry out transactions with the Group (for example, to finance a transaction), who shall not be required to comply with these Rules except for the provisions of article 10.4.b) hereof.

Article 2. Purpose

The purpose of these Rules is to establish the rules and procedures of the Company for the internal processing of Inside Information and the transmission thereof to third parties unrelated to the Group, in order to protect the interests of shareholders and investors and to prevent and avoid any instances of misuse. All of the foregoing shall be without prejudice to the provisions of the Guide, which shall apply in the alternative to all matters not expressly contemplated by these Rules.

Article 3. Scope

1. These Rules apply to all of the companies within the Group, including the companies in which the Group has an interest and exercises effective control, within the limits established by applicable regulations upon the regulated activities carried out by the Group in the various countries in which it is present.

2. Listed companies belonging to the Group that have corporate governance rules similar to those of the Company, as well as with the subsidiaries thereof, shall be excluded from the scope of these Rules.

Article 4. Dissemination

These Rules shall be communicated to and disseminated among Affected Persons and Insiders in accordance with the plan designed by the Unit for such purpose, and such Affected Persons and Insiders shall be required to be aware thereof and to comply therewith.
Article 5. Duties of Affected Persons and Insiders in Connection with Inside Information

1) All Affected Persons or Insiders in possession of Inside Information must refrain from directly or indirectly engaging, whether for their own account or the account of another, in the following conduct:
   a) Preparing or carrying out any kind of transaction in the Affected Securities to which the Inside Information refers. This excludes preparing and carrying out transactions whose existence in and of itself constitutes the Inside Information, as well as transactions in the Affected Securities carried out pursuant to a pending obligation to acquire or transfer negotiable securities or financial instruments when such obligation is contemplated in an agreement entered into before the person in question comes into possession of the Inside Information, or by a manager under a discretionary portfolio management contract executed by the Affected Person, Insider, or any person related thereto pursuant to the provisions of the Internal Regulations for Conduct, as well as other transactions effected in accordance with applicable regulations.
   b) Disclosing the Inside Information to third parties other than in the ordinary course of their work, profession, or position, provided that those to whom the information is disclosed in the ordinary course of their work, profession, or position are subject, by law or under contract, to a duty of confidentiality and have confirmed to the Company that they have the means required to safeguard it pursuant to the provisions of article 10.4.b) below.
   c) Recommending a third party to acquire or transfer the Affected Securities or to cause someone to acquire or transfer the Affected Securities based on the Inside Information.

2) Additionally, all Affected Persons or Insiders in possession of Inside Information shall be required to:
   a) Safeguard it, without prejudice to their duties of communication and cooperation with court and administrative authorities under the terms set forth in the LMV and other applicable legal provisions.
   b) Adopt appropriate measures to prevent such Inside Information being the subject of improper or unfaithful use.
   c) Give immediate notice to the Unit of any improper or unfaithful use of the Inside Information of which they are aware.

Article 6. Interpretation

1. These Rules shall be interpreted in accordance with the legal provisions applicable to the Group and the provisions set forth in the Company’s Corporate Governance System, especially those contained in the Internal Regulations for Conduct.

2. The Unit shall be responsible for responding to any inquiries or concerns that may arise in connection with the content, interpretation, and application of or compliance with these Rules.

TITLE I. RULES AND PROCEDURES FOR THE PROCESSING AND INTERNAL AND EXTERNAL TRANSMISSION OF INSIDE INFORMATION

Article 7. Procedure for Determining the Inside Nature of the Information

The Director of the Area responsible for coordinating the work or transaction to which the information that may qualify as Inside Information refers shall be charged with determining the inside nature thereof. For such purposes:
   a) The Director of the Area responsible for coordinating the work or the legal or financial transaction being studied or negotiated, in which information that may qualify as Inside Information is received or generated, must analyse such information in order to verify whether it has the characteristics of Inside Information, and shall declare, if applicable, that it constitutes Inside Information. As soon as the Area Director determines the inside nature of the information, the processing and transmission thereof must be in accordance with the provisions of these Rules.
   b) In the event that the Area Director effectively determines that certain information is Inside Information, the Area Director shall, as soon as practicable, inform the Unit, through the director thereof, that there is a project in which Inside Information is going to be received, generated, or handled, and that appropriate measures have been adopted in order to safeguard the confidentiality of such information.
   c) In any event, the Director of the Area may consult with the Unit in those instances in which it cannot clearly be determined whether or not the information in question is Inside Information.
   d) Without prejudice to the foregoing, the Unit may, at any time, request the Director of the Area to provide additional information regarding a specific project, as well as revoke, if appropriate, the status given to the information by the Director of the Area if the Unit concludes that it is not Inside Information, in which case the Unit must provide a duly substantiated decision and explain in writing to the Director of the Area the reasons for the divergence.
Article 8. Authorisation for Access
1. The Director of the Area shall be responsible for authorising or denying access to the Inside Information, and authorisation shall only be granted to those persons whose access to such Information is indispensable because of their work.
2. The authorisations granted shall be revised at such intervals as the Unit determines in order to ensure that there is no person who, beyond a reasonable period (which must be the minimum possible period), is authorised to access Inside Information without a justified need to hold authorisation for access thereto.

Article 9. Register of Insiders
The Director of the Area or the person acting by delegation therefrom must adopt the measures required in order for all persons accessing Inside Information to be duly included in a Register of Insiders, in accordance with the provisions of the Internal Regulations for Conduct.

Article 10. Management of Confidential Documents
1. Code name: the responsible Area shall assign a code name to each transaction in which Inside Information is received or generated. Such name shall be used in all communications relating to the transaction, such that neither the parties involved therein nor the characteristics thereof may be identified.
2. Marking or labelling: confidential documents must be marked “CONFIDENTIAL” on the cover page and on each of the other pages, and must also include the date of issuance thereof.
3. Use, control of access, and storage
   a) General principle
      Access to confidential documents, regardless of the format, media, and storage location thereof, must be restricted to Authorised Persons.
      Systems administrators, systems technical staff, and the staff of other auxiliary services must be subject, to the maximum possible extent, to restrictions on the possibility of access to equipment or locations in which Inside Information is stored. In the event that access by any of the aforementioned persons is essential, the number of persons entitled to access must be kept to the minimum required, any such access must be recorded, and, in the case of a service provider from outside the Group, the service agreement must include clauses ensuring the confidentiality of any Inside Information to which access may have been gained during the provision of the service.
   b) Documents in electronic format
      Authorised Persons must not use common network access disks (for example, X: and F: disks) for the temporary or permanent storage of confidential documents, unless it is ensured that only those persons may access the information contained therein. As regards e-mails containing Inside Information or having attachments with Inside Information, it is recommendable to remove them and delete them from mailboxes and to save them as files. Confidential documents in electronic format must be encrypted. In this regard, a document may be deemed encrypted if the media or location in which it is contained is encrypted.
      In addition, Authorised Persons shall take the utmost care to prevent unauthorised persons seeing confidential documents while Authorised Persons are working with such documents on a computer. When printing confidential documents, a local printer not connected to the internal network must be used. If local printers are not available, printing work sent to network printers must be protected by a password and immediately collected after printing. In any event, printers must be located in limited access areas.
      In the event that a unit of equipment containing Inside Information must undergo repair or maintenance work and such work is performed at the workstation itself, the user of the equipment must be present while such work is carried out. If the aforementioned work requires the removal of the equipment but does not affect the disk on which the data are stored, the disk must be removed and left in the custody of the user, who must store it under lock and key. On the other hand, if the aforementioned work requires the removal of the equipment and requires or may require any action on the disk on which the data are stored, the equipment may only be removed with the express authorisation of the Director of the Area. Whenever possible, any Inside Information contained in the disk must be deleted prior to the removal (see section 5 below).
   c) Paper documents
      Authorised Persons shall store confidential documents in a safe place when they are away from their workstation. To the extent possible, Authorised Persons shall avoid placing confidential documents on meeting-tables or in meeting rooms, and must store such confidential documents in restricted access locations (such as offices and file
rooms) and keep them in file cabinets (which, as a general rule, must be kept locked), the keys or combinations for access to which shall exclusively be available to such persons. If a risk of copies of keys or access codes is detected, such keys or codes must be replaced or changed.

d) Use during travel and in public places/on public transport

When Authorised Persons travel with confidential documents (both in electronic and paper format), they shall take the utmost care in public places and on public transport (airports, airplanes, trains, taxis) to avoid the forgetting, misplacement, or theft of confidential documents and to prevent any unauthorised persons accidentally or deliberately seeing the content thereof.

In particular, Authorised Persons must keep confidential documents under their control at all times, and must avoid storing them in luggage that is to be checked, leaving them inside a vehicle (even if such vehicle is kept locked), or in a hotel room when they leave it. If it is essential to leave confidential documents in a hotel, the safe must be used.

4. Copies, distribution, and transmission

a) General rules

The making of copies of confidential documents is prohibited, unless the Director of the Area grants prior express authorisation for the delivery of such copies to an Authorised Person. The recipients of the copies must be warned of the prohibition against making subsequent copies. Only Authorised Persons may make copies of confidential documents. Copies of a confidential document shall be subject to the same protection and control requirements as the original.

The internal or external distribution or transmission of Inside Information shall be carried out with the prior express authorisation of the Director of the Area.

The area in charge of coordinating the work or transaction to which Inside Information refers shall, as the area responsible for the custody thereof, establish a mechanism (whether manual or automated) for the control of the copying, distribution, and transmission of Inside Information, such that the traceability thereof may be ensured, i.e. that each copy made of a confidential document, the person responsible for it, the copies made of it, and the person responsible for each copy, can be identified.

In addition, when justified and feasible in the opinion of the Unit, mechanisms shall be established to enable the detection of leaks or the unauthorised sending of Inside Information, which mechanisms shall be designed to facilitate a subsequent audit of procedures allowing for the discovery of the source of the leak.

– Specific measures for documents in electronic format

Authorised Persons shall use safe channels (encrypted mail, VPN, secure FTP, etc.) for the distribution of confidential documents in electronic format, and in particular, common network access disks (for example, X: and F: disks) shall not be used for such purpose, unless it is ensured that the Inside Information contained therein can only be accessed by such persons.

When electronic media are distributed, the measures set forth in the next point shall apply and, in addition, the content thereof shall be encrypted.

– Specific measures for paper documents

Confidential documents on printed paper must be transmitted in a sealed envelope bearing the name of the Authorised Person who is the recipient and marked such that the nature of the information contained therein is clear (for example, “CONFIDENTIAL INFORMATION”). The envelope must be a single-use envelope and of a type that allows the detection of any unauthorised opening. Moreover, an e-mail must be sent to the recipient stating that information will be sent thereto, without indicating the nature of such information, and the recipient shall be required to send a reply e-mail when receipt has effectively taken place. Confidential documents containing Inside Information must be collected and delivered by hand, such that they must not be deposited in trays or on the recipient’s desk when not present.

When documents are sent out, whether to other Company buildings or otherwise, the confidential documents shall be carried by authorised personnel and in compliance with security measures sufficient to ensure their safe carriage. If documents are sent to a location outside of the Company, they must be sent through a courier
and a delivery receipt must be obtained. In any event, records must be kept of incoming and outgoing items in connection with documents so sent.

During the delivery process, the confidential documents must be stored in places that satisfy the access and storage requirements described above. In the event of loss or theft, immediate notice must be given to the issuer. The use of fax machines as a means of transmission of Inside Information must be avoided. If the use thereof is essential, notice must be given to the recipient at the time of the transmission in order to ensure that the recipient collects the document at the same time it is printed at destination.

b) Additional provisions governing the transmission of Inside Information to third parties

Without prejudice to the rules and procedures described in the preceding sections of these Rules, the transmission of Inside Information to External Recipients must be restricted to those instances in which such transmission is essential in the opinion of the Director of the Area, and in particular, it shall comply with the provisions of this section:

- Inside Information shall be transmitted to External Recipients as late as possible in accordance with the nature of the transaction in question.
- Prior to the transmission of any Inside Information, the External Recipients must sign a confidentiality undertaking with the Company unless the External Recipient is subject to legal or contractual rules that contain a duty of confidentiality. In any event, External Recipients shall be informed of and must state, at a minimum, that they are aware of: (i) the confidential nature of the information transmitted, (ii) the obligations stemming from the legal provisions applicable to the Inside Information, and (iii) the consequences of violating such legal provisions, and that (iv) they have the means required to ensure the confidential nature of the Inside Information. They shall also be informed of their inclusion in the Register of Insiders.

The signing of such confidentiality undertaking shall also be required of those External Recipients with whom contact is made at a preliminary phase and to whom the general outline of a transaction is presented in order to request financing offers or advice, even if they do not ultimately participate in such transaction.

- In the event that Inside Information is transmitted to one or more External Recipients belonging to the same firm or entity, the confidentiality undertaking mentioned in the preceding section must be executed with the respective firm or entity, and shall equally bind all of the members of the organisation who come to know the Inside Information. In such cases, the prior express authorisation of the Director of the Area shall not be required in order to transmit the Inside Information internally to the members of the organisation that need to know it.

Additionally, in the instances contemplated in the preceding section, the internal processing of the Inside Information shall be subject to the provisions established for such purpose by the organisations to which the External Recipients belong.

- The content and implications of the confidentiality undertaking must be explained orally in a clear and concise manner in the case of External Recipients that may not be acquainted with the applicable legal provisions.
- In any event, the transmission of Inside Information by an External Recipient shall require the prior written authorisation of the Director of the Area and the signing by the second External Recipient of an equivalent confidentiality undertaking.
- The Unit may condition the electronic transmission of Inside Information to External Recipients on the encryption of the confidential documents through any computerised procedure whereby access to the Inside Information by External Recipients is restricted.

5. Disposal: Authorised Persons who have had access to Inside Information must destroy any media containing such information at the time it ceases to be useful, unless there is a legal or business requirement that justifies the retention thereof. In this regard, it must be borne in mind that not only the final versions of the confidential documents must be destroyed but also all drafts, copies, excerpts, and other working documents containing Inside Information. When justified and feasible in the opinion of the Unit, confidential documents in electronic format must be disposed of by using a deletion tool that ensures that the deleted information is irretrievable.

In the particular case that a computer of the Group (which contains or contained Inside Information) is removed or discontinued from use or the disk or any other data storage device is replaced, it must be destroyed such that the information stored cannot be retrieved.
Confidential documents in paper format shall be destroyed by the means established by the Company for such purpose, consisting of paper-shredding machines (for small amounts of documentation) and of a centralised service for the mass destruction of documents (for large volumes).

The destruction of confidential documents shall be carried out exclusively by Authorised Persons; in particular, the destruction of confidential documents shall not be entrusted to persons who are not authorised to have access thereto. In the event that persons from outside the Company (for instance, companies specialising in document destruction in the case of the destruction of large volumes of documentation) participate in the documentation destruction process, the contracts for the provision of this service must include clauses safeguarding the confidentiality of the Inside Information to which such external agents may have had access during the destruction process. In addition, such external agents shall be required to issue a certificate evidencing the destruction of the confidential documents.

**Article 11. Protection of Conversations**
1. No matters relating to Inside Information shall be discussed in conversations with persons that are not authorised to access such information or in environments or under conditions where conversations may be heard by unauthorised persons.
2. Conversations in which Inside Information is discussed shall be held in rooms ensuring appropriate acoustic and visual isolation. Such rooms shall be locked from the inside in order to avoid unforeseen disruptions by unauthorised persons.
3. The discussion of Inside Information in telephone conversations shall be avoided to the extent possible. Any telephone conversation in which Inside Information is discussed must be held by using digital or mobile telephones at both ends. It should be borne in mind that voice mail systems can be tampered with. Hence, certain precautions need to be taken when using such systems:
   a) Change the voice mail system default access code.
   b) Never leave voice messages containing or relating to Inside Information.
4. In video-conferences or audio-conferences in which Inside Information is discussed, only the equipment provided by the Company for such purpose shall be used. The provisions of the preceding section 2 shall also apply thereto.

**TITLE II. ACTION PROTOCOL IN THE EVENT OF A LEAK OR UNLAWFUL USE OF INSIDE INFORMATION**

**Article 12. Action Protocol in the Event of a Leak or Unlawful Use of Inside Information**

In the event that any Authorised Person detects a possible leak or an instance of unlawful use of Inside Information, action shall be taken as provided below:

a) The reporting party shall, as soon as possible, give notice of the leak or unlawful use of Inside Information of which the party has become aware to the Unit through its chair or, in the absence thereof, through the director or secretary of the Unit. For such purposes, the Unit shall establish safe channels for the reporting of leaks or instances of unlawful use of Inside Information, and shall endeavour to ensure the utmost degree of protection of the identity of the reporting party.

b) The Unit shall analyse and verify the truthfulness of the information provided by the reporting party, for which purpose it may request such additional data and information as it deems necessary from the Finance and Resources Division and from any other Division of the Company.

c) If the reported information is found to be true and if the leak or unlawful use of Inside Information is attributable to a member of the Board of Directors of the Company, the Unit shall give notice thereof to the secretary of the Board of Directors, who shall adopt the appropriate measures in accordance with the Company’s Corporate Governance System and the provisions of applicable law.

d) On the other hand, if the leak or unlawful use of Inside Information is attributable to an employee of the Group, the Unit shall give notice thereof to the Finance and Resources Division, which shall adopt disciplinary measures pursuant to the rules on infringements and penalties contemplated in the Collective Bargaining Agreement applicable to the company of the Group to which such employee belongs or otherwise contemplated in applicable labour laws. The Unit shall also give notice to the Company’s Legal Affairs Division, which shall evaluate whether any legal actions should be instituted against the employee responsible for the leak or unlawful use of Inside Information, under applicable law at any time.
e) Finally, in the event that, once the truthfulness of the reported information has been verified, the leak or unlawful use of Inside Information is found to be attributable to an External Recipient or to any other person or entity unrelated to the Group, the Unit shall give notice thereof to the Company’s Legal Affairs Division in order to determine the adoption of any appropriate measures regarding the person or entity responsible for the leak or unlawful use of Inside Information.

f) Without prejudice to the foregoing, when a leak or unlawful use of Inside Information reaches the market, such that news or rumours are generated regarding an item of Inside Information that has not been previously communicated to the National Securities Market Commission or unusual changes occur in the volumes traded in or the prices negotiated for the Affected Securities, the provisions set forth in the Action Protocol for the Management of News and Rumours shall also apply.
Summary of the Action Protocol for Investigating Possible Unlawful Uses of Inside Information
The Action Protocol for Investigating Possible Unlawful Uses of Inside Information (the “Protocol”) forms part of the Corporate Governance System of IBERDROLA, S.A. (the “Company”) and is approved, upon a proposal of the Compliance Unit, by the Board of Directors of the Company elaborating upon the Internal Rules for the Processing of Inside Information, according to which, in the event that a possible leak or an instance of unlawful use of Inside Information, as this term is defined in the Internal Regulations for Conduct in the Securities Markets, is reported to the Compliance Unit, it must analyse and verify the truthfulness of the information provided by the reporting party.

The Protocol establishes a set of rules and guidelines for conduct aimed at the Compliance Unit concerning the procedure for analysing the truthfulness of reported possible unlawful uses of Inside Information by employees of the Iberdrola group, as well as the general rules to be followed in the investigation and verification activities carried out by the Compliance Unit in order to safeguard the rights of employees under investigation, all in further development of article 12 of the Internal Rules for the Processing of Inside Information.
VIII.

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Preamble
This Action Protocol for the Management of News and Rumours (the “Protocol”) forms part of the Corporate Governance System of IBERDROLA, S.A. (the “Company”) and is approved by the Board of Directors of the Company upon a proposal of the Compliance Unit, in further development of the Internal Regulations for Conduct in the Securities Markets (the “Internal Regulations for Conduct”), section 9.4.d) of which provides that there must be monitoring of the market performance of Affected Securities (as defined in such Internal Regulations for Conduct) as well as the News regarding them issued by professional broadcasters of financial information and the media, and which shall be the responsibility of the Company’s Finance and Resources Division in coordination with the Compliance Unit. For such purpose, this Protocol sets forth the rules and guidelines for the monitoring, management, analysis, and control of information, whether News or Rumours, disseminated about the Company or any of the companies within the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), or about Affected Securities, without the prior publication of a respective notice of Significant Event, as well as the market performance of the listing prices and trading volume of Affected Securities, all in order to protect the interests of shareholders and investors and to prevent and avoid any market manipulation.

To such end, the Compliance Unit has particularly taken into account the Standards for the Management of Broadcasted News and Rumours regarding Listed Securities published by the Secondary Markets Department (Departamento de Mercados Secundarios) of the National Securities Market Commission (Comisión Nacional del Mercado de Valores), dated 23 February 2009.

PRELIMINARY TITLE

Article 1. Definitions
Capitalised terms used in this Protocol and not expressly defined herein shall have the meaning ascribed thereto in the Internal Regulations for Conduct.
For purposes of this Protocol, the following terms shall have the meaning ascribed below:

a) Leak: premature, partial, or distorted disclosure to the market of Inside Information, regardless of whether or not such information is known by the Group company to which it pertains.

b) Significant Event: a notice sent by the Company to the National Securities Market Commission for immediate publication and dissemination to the market of Significant Information, pursuant to the provisions of section 228 of the Securities Market Act (Ley del Mercado de Valores) (“LMV”).

c) News: information disseminated by the media regarding the Company, the Group, or Affected Securities that could have an impact on the listing prices thereof.

d) Rumour: speculation disseminated to the market regarding the Company, the Group, or Affected Securities, without identified author or provenance, that could have an impact on the listing prices thereof.

Article 2. Purpose
The purpose of this Protocol is to establish the Company’s general framework of action for dealing with News and Rumours disseminated to the market.

Article 3. Scope of Application
1. This Protocol applies to all News and Rumours disseminated to the market.
2. In order to provide for better compliance with the provisions of this Protocol, the Unit shall establish appropriate mechanisms for the coordination and exchange of information with the compliance units or divisions of the Group’s listed companies that have corporate governance regulations similar to those of the Company.

Article 4. Dissemination
This Protocol shall be communicated to and disseminated among the members of the Unit, the Finance and Resources Division, and the Office of the Secretary of the Board of Directors, who shall be required to know it and comply with it.

Article 5. Interpretation
1. This Protocol shall be interpreted in accordance with the law applicable to the Group, the provisions set forth in the internal regulations approved by the Group, and, specifically, the provisions of the Internal Regulations for Conduct.
2. The Unit shall resolve any questions or concerns that may arise in connection with the content, interpretation, or application of or compliance with this Protocol.

TITLE I. RULES OF ACTION

Article 6. Ongoing Monitoring and Tracking of News and Rumours and of the Listing Price of Affected Securities

1. It is the responsibility of the Company’s Finance and Resources Division to perform ongoing monitoring and tracking of the prices and trading volumes of Affected Securities, Rumours that may be disseminated to the market, and News issued by professional broadcasters of financial information and the media of which the Company should reasonably be aware, particularly during the stages of analysis or negotiation of any transaction that could have a material influence on the listing prices of the Affected Securities.

   To such end, the Finance and Resources Division shall establish the required coordination mechanisms with the Corporate Communications Division in order to have permanent access to such News.

2. The Finance and Resources Division shall report to the Unit, whenever requested thereby, regarding its ongoing monitoring and tracking of the market performance of prices and trading volumes of the Affected Securities and of the Rumours and News disseminated to the market.


1. In the event that the Finance and Resources Division becomes aware of the existence of News or a Rumour relating to information not previously communicated by the Company to the CNMV by means of a notice of a corresponding Significant Event, the Finance and Resources Division shall analyse the significance of the disseminated information in accordance with the standards it deems appropriate in each case.

   To such end, the Finance and Resources Division shall, without limitation, take into account the impact that the actual materialisation of the content of the News or Rumour could have on the accounting or financial indicators of the Company or its Group and on the listing price of the Affected Securities, and changes in the listing price of the Affected Securities as a result of the News or Rumour.

   In particular, in those cases in which the News or Rumour is disseminated during a trading session, special attention shall be paid to changes in the traded volumes and the listing prices of the Affected Securities in order to determine the significance of the disseminated information.

   In addition, the Finance and Resources Division shall analyse the truthfulness of the News or Rumour, for which purpose it will carry out, in coordination with the Unit, all internal investigation and consultation activities that it deems appropriate for such purpose.

2. Following the required reviews of significance and truthfulness, the Finance and Resources Division shall proceed as follows:

   a) If it determines that the information disseminated to the market is significant and truthful, the Finance and Resources Division shall contact the Secondary Markets Department of the CNMV in order to evaluate the need, if appropriate, to publish a notice of a Significant Event in order to provide clear and precise information regarding the facts to which the disseminated News or Rumour refers.

      In particular, the Finance and Resources Division, in its contact with the CNMV, shall evaluate the possibility of delaying publication and dissemination of the Significant Information if it could impair the legitimate interests of the Company, pursuant to the provisions of section 228.4 of the LMV.

   b) Whenever it deems the information disseminated to the market to be significant but lacking sufficient elements to determine the truthfulness thereof (for instance, because it is information stated by, or relating to, third parties not related to the Company and beyond its control), the Finance and Resources Division shall consider the possibility of asking the CNMV to take the necessary actions to verify and investigate the News or Rumour in order that the CNMV itself, or the appropriate person, may publicly express a clear, full, and precise opinion regarding the News or Rumour.
c) If it determines that the information disseminated to the market is insignificant or untrue, the Finance and Resources Division may take the necessary measures to deny, if appropriate, those untrue News and Rumours that could impair the interests of shareholders and investors.

3. The Finance and Resources Division shall report to the Unit the result of the analysis of the News or Rumours, along with any measures it may have adopted pursuant to this Protocol, in order for the Unit to be able to evaluate the advisability of taking any additional actions.

4. Without prejudice to the provisions of this Protocol, the Board of Directors may take any actions it deems appropriate to protect the corporate interest against the dissemination of Rumours that could affect the normal business operations of the Company or the value of the shares.

**Article 8. Action Protocol in the Event of Unusual Changes in the Listing Price or the Traded Volume of Affected Securities**

1. In the event that the Finance and Resources Division notices unusual changes in the listing prices or traded volumes of Affected Securities, it shall as soon as possible report such circumstance to the chair of the Unit or, in the absence thereof, to the director or the secretary of the Unit.

2. The Finance and Resources Division shall analyse whether there are rational indications that such changes are the consequence of a Leak, and shall report its conclusions to the Unit, which shall act as follows:
   a) If it establishes that there are indications of a Leak, the Unit shall take the relevant actions and measures pursuant to the *Internal Rules for the Processing of Inside Information*.
   b) If it does not establish that there are indications of a Leak, the Unit may implement any initiatives it deems appropriate in light of the possible causes of the unusual changes in the listing price or the traded volumes of the Affected Securities.
IX.

Regulations for the Electronic Shareholders’ Forum

22 November 2011
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Regulations for the Electronic Shareholders’ Forum

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Article 1. Introduction
Pursuant to the provisions of Section 539.2 of the restated text of the Companies Law (Ley de Sociedades de Capital), IBERDROLA, S.A. (the “Company”) approves these Regulations for the Electronic Shareholders’ Forum (the “Regulations”), which form part of its Corporate Governance System, governing the Company’s Electronic Shareholders’ Forum (the “Forum”) that will be made available on the Company’s corporate website on occasion of the call to and until the holding of each General Shareholders’ Meeting.

Article 2. Purpose of the Regulations
1. These Regulations govern how the Company will enable and make the Forum available, as well as the guarantees, terms and conditions for access thereto and use thereof by the Company’s shareholders and by any voluntary associations that may be formed pursuant to applicable law.
2. As regards the Forum, these Regulations supplement the legal terms and conditions for access and use of the Company’s corporate website, which shall fully apply to access to and use of the Forum as to all matters not otherwise amended by or inconsistent with the provisions of these Regulations.
3. The Company reserves the right to modify the layout, configuration, operation and contents of the Forum, as well as the terms and conditions for use thereof and these Regulations, at any time and without prior notice, without prejudice to the provisions of applicable legal provisions, particularly to Section 539 of the restated text of the Companies Law.

Article 3. Acceptance of the Rules of the Forum
Registration as a user of the Forum (“Registered User”) and access thereto and/or use thereof entail full and unreserved acceptance of the terms and conditions set forth in these Regulations and in the version of the legal terms and conditions for access and use of the Company’s corporate website that may be in effect from time to time.

Article 4. Objective and Purpose of the Forum
1. The Forum is made available in order to facilitate communication among the Company’s shareholders on occasion of the call to and until the holding of each General Shareholders’ Meeting.
2. Registered Users may send communications for posting in the Forum, containing exclusively:
   a) Proposals sought to be submitted as a supplement to the agenda included in the call to the General Shareholders’ Meeting.
   b) Requests for adherence to such proposals.
   c) Initiatives to reach the percentage required to exercise a minority right as contemplated by law or in the Company’s Corporate Governance System.
   d) Voluntary proxy offers or solicitations.
3. The “Corporate Governance” section of the Company’s corporate website publishes the announcement of the call to meeting, which includes the agenda for each General Shareholders’ Meeting and contains a description of the rights and duties of the Company’s shareholders and of the conditions for exercise thereof, without prejudice to the provisions of applicable law at any time.

Article 5. Registered Users
1. Access to and use of the Forum is reserved exclusively to individual shareholders of the Company, and to voluntary associations of shareholders validly established and registered in the special registry created for such purpose at the National Securities Market Commission (Comisión Nacional del Mercado de Valores) pursuant to Section 539.2 of the restated text of the Companies Law and regulations thereunder.
2. In order to access and use the Forum, such shareholders and voluntary associations of shareholders must log on as a “Registered User” by filling out the corresponding form to log on as a Registered User of the Forum, providing evidence of their status as a shareholder of the Company or of a voluntary association of shareholders duly established and registered with the National Securities Market Commission, in the manner set forth in such form.
   In the case of shareholders that are legal entities and of voluntary associations of shareholders, evidence of the representative authority of the person wishing to access the Forum shall be provided in the form established for such purpose.
3. A special use form may be required to be filled out for subsequent access to and communications with the Forum.
4. Access to and use of the Forum by Registered Users are subject to at all times maintaining status as a shareholder of the Company, or as a voluntary association of shareholders duly established and registered, pursuant to applicable regulations.

5. In the event that the Company, in its capacity as administrator of the Forum, has reasonable doubts at any time regarding compliance with such conditions by any Registered User, it may request such User to provide evidence that such status is maintained as well as any information or documents deemed appropriate for verification of the circumstances set forth herein.

6. The Company may request additional information from, suspend or exclude Registered Users that do not provide evidence of compliance with such conditions to its satisfaction.

7. All communications sent by shareholders or voluntary associations that cease to have such status prior to the holding of the corresponding General Shareholders’ Meeting shall automatically lapse, as shall all communications relating thereto or connected therewith.

**Article 6. Access to and Use of the Forum**

1. Access to the Forum

   All Registered Users may access the Forum and view the communications posted by other Registered Users. The Forum is only intended to publish the communications posted by Registered Users in connection with the matters set forth in Article 4.2 of these Regulations and does not constitute a device for electronic conversation among Registered Users or a meeting point for virtual debate. Therefore, the Company shall only include in the Forum such communications as are admissible under the law and pursuant to the Company’s Corporate Governance System, such that no other comments regarding such communications shall be posted in the Forum.

2. Posting of communications in the Forum

   All registered Users may send communications regarding any of the matters set forth in Article 4 above, which shall be posted in the Forum by the Company in accordance with the technical procedures in place from time to time. The content of the communications shall only be in text form and, once posted, such communications shall be available for access by any other Registered User.

   All communications by Registered Users shall be deemed made as an expression of their personal opinions and, except for the case of shareholders that are legal entities and associations of shareholders authorised for such purpose under the law and these Regulations, no communications shall be posted which are received from representatives of shareholders, shareholders’ pools and agreements, depositary entities, financial brokers or other persons acting for the account or benefit of the shareholders.

   Requests for the posting of communications must be made by filling out the forms available in the Forum for such purpose, which shall include:
   
a) Identification of the Registered User sending the communication.
   
b) Statement of the communication, with a clear description of the content of the initiative.
   
c) Brief rationale for the communication.

   All communications posted in the Forum shall include the identification data of the Registered User sending it (first and last name, in the case of individuals; corporate name, in the case of legal entities; and corporate name and registration number in the registry maintained by the National Securities Market Commission, in the case of associations of shareholders, as well as, in the last two cases, the identification data of their respective representatives). The date and time of posting shall also be indicated.

   Upon sending a communication, the Registered User responsible therefor is deemed to represent and warrant that the content thereof is lawful and in accordance with the provisions of law and of these Regulations and with the requirements of good faith, that such Registered User has obtained all approvals and permits required to send the communication in question, and that such communication does not violate any third-party rights.

   The Company shall have the right to verify that any communications sought to be posted comply with legal provisions, these Regulations and the requirements of good faith and may deny inclusion in or remove from the Forum any communication that it deems to be inconsistent therewith.
3. Content of communications

Any use of the Forum by Registered Users shall fully comply with applicable legal provisions, shall be consistent with the purpose of the Forum as set forth in Article 4 above and shall fulfill the requirements of good faith. In this regard, it is expressly forbidden:

a) To make an attack on the rights, property and lawful interests of the Company, of other Registered Users and of third parties and, specifically, on their intellectual and industrial property rights, freedom of religion, reputation, good name, privacy, the protection of personal data or any other property, rights or interests afforded protection by law.

b) To introduce third-party personal information or data without the informed consent of the owner thereof or to assume the identity of another.

c) To insert contents or expressions that are discriminatory, racist, sexist, violent, xenophobic or otherwise offensive or degrading.

d) To insert any kind of materials which are inappropriate or contrary to the requirements of good faith.

e) To provide information of any kind intended to be used for the commission of criminal, civil or administrative wrongs.

f) To carry out activities of any kind (or provide information to third parties) serving to circumvent technical restrictions built into the media or programs of the Forum in order to avoid any unauthorised use.

g) To include contents or materials without the requisite approval of the respective holders of intellectual and industrial rights therein.

h) To damage, disable, overload, or impair the operation of the Forum or the computer equipment of the Company, of other Registered Users or of third parties, as well as the documents, files and contents of any kind stored on such computer equipment (hacking), or to prevent the normal use and enjoyment of the Forum by other Registered Users.

The insertion of any kind of publicity or advertisement by Registered Users is absolutely forbidden.

Any Registered User that becomes aware that any contents included in or provided through the Forum are contrary to the provisions laid down in these Regulations or to the requirements of good faith may give notice thereof to the Company through the Shareholders’ Ethics Mailbox.

Registered Users undertake to use the Forum diligently, properly and in compliance with applicable law, these Regulations and the requirements of good faith, consistently with the purpose of the Forum as set forth in Article 4 above.

4. Removal of communications after the General Shareholders’ Meeting

Once a General Shareholders’ Meeting has ended, the Company reserves the right to remove and delete all communications relating thereto.

Article 7. Scope of the Forum

1. The Forum is not a channel of communication between the Company and Registered Users.

2. Therefore, no communication sent to or posted in the Forum may in any event be deemed to be a notice to the Company for any purpose and, specifically, for the purpose of exercising any rights that Registered Users individually or collectively hold, nor shall it replace compliance with the requirements established by Law and by the Company’s Corporate Governance System for the exercise of any such rights or for the conduct of initiatives and activities by the shareholders.

3. All rights and powers that the shareholders wish to enforce must be exercised via the legally established channels and pursuant to the provisions, if any, contained in the Law and in the Company’s Corporate Governance System, such that the Forum shall in no event constitute a valid channel for such purpose.

Article 8. Company’s Liability

1. Extent of the Company’s liability

The Company shall not be liable for the accuracy, truth, effectiveness, lawfulness or relevance of the communications sent by Registered Users or for the opinions expressed thereby.

The Company shall only be liable for its own services and for the contents directly originated by it and identified with its copyright notice as a trademark or as intellectual or industrial property of the Company.
By accessing and/or using the Forum, all Registered Users declare that they acknowledge and agree that they shall be solely and exclusively responsible for their use of the Forum.

2. Contents

The Company expressly reserves the right to deny access to and/or use of the Forum as well as the right not to post or to remove communications sent by Registered Users that contravene applicable legal provisions, these Regulations or the requirements of good faith.

In addition, the Company has the power but not the duty to monitor the use of the Forum and the contents thereof, which are the sole responsibility of the Registered Users sending them or including them.

In any event, the Company may establish tools to filter and moderate the contents of the communications, as well as remove contents when it believes that they may be unlawful or contrary to the provisions of these Regulations or to the requirements of good faith.

Registered Users shall be liable for any damages that the Company, any other Registered User or any third party may suffer as a consequence of access to and/or use of the Forum (including, specifically, the sending of communications) in violation of any provisions of applicable law, of these Regulations or of the requirements of good faith.

Article 9. No License

1. The Company authorises Registered Users to use the intellectual and industrial property rights associated with the software application installed on the Company’s server that executes the features making up the Forum solely for the purposes established in Article 4 and pursuant to the terms and conditions set forth in these Regulations. Registered Users shall refrain from obtaining or attempting to obtain access to or use of the Forum and its contents by means or procedures other than those made available to them or indicated for such purpose in each case.

2. The Company does not grant any kind of license or authorisation to use its intellectual or industrial property rights or any other property or right related to the Forum other than as provided in the preceding paragraph.

Article 10. Costs of Use

Access to and use of the Forum by Registered Users is free of charge, except for the cost of connection through the telecommunications network supplied by the access provider hired by each Registered User.

Article 11. Security and Protection of Personal Data

1. The security and personal data protection provisions contained in the legal terms and conditions for access and use of the Company’s corporate website shall apply to the Forum. Specifically, all personal data provided by Registered Users or generated as a consequence of the use of the Forum shall be handled by the Company in order to establish, manage and monitor the operation of the Forum pursuant to the provisions of these Regulations and of applicable law.

2. Registered Users may exercise their rights of access, correction, removal and opposition via the e-mail address provided for in Article 12 below.

Article 12. Registered Users’ Service

Registered Users that wish to make suggestions or proposals for improvement of the Forum, or need technical assistance, or wish to exercise the rights afforded to them by personal data protection regulations, may write to the Company’s e-mail address displayed in the Forum for such purpose. The purpose of this e-mail address is to serve Registered Users and to improve the quality of the Forum, and does not entail any kind of control by or liability for the Company.
Internal Rules on Composition and Duties of the Operating Committee
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Article 1. Purpose
1. The Board of Directors of IBERDROLA, S.A. (the “Company”) has assumed an ongoing commitment to update and improve the Corporate Governance System of the Company. Accordingly, it has been promoting the approval of various internal rules that may contribute to enhancing the transparency of the corporate and governance structure of the group of which the Company is the controlling entity, within the meaning established by law (the “Group”).

2. In this context, these Internal Rules on Composition and Duties of the Operating Committee form part of the Company’s Corporate Governance System and constitute an instrument of efficiency, as well as a tool for bringing transparency to the shareholders and the markets in general regarding an essential function in the organisation of the Company’s senior management, in furtherance of better coordination at the Group and, therefore, in the interest of all of the companies belonging thereto.

Article 2. The Operating Committee as a Part of the Governance Structure of the Company and its Group
1. The governance structure of the Group described in the Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation duly distinguishes between day-to-day and effective management duties attributed to the head of business companies and supervision and control duties attributed to the Company, which only exercises the duties of a holding company, and the country subholding companies, which strengthens the strategic organisation and coordination function in each country.

2. The Operating Committee is an internal committee of the Company and engages in its activities under the immediate control of and as directed by the chairman of its Board of Directors & chief executive officer.

3. In particular, the Operating Committee provides technical support to the chairman of the Board of Directors & chief executive officer, who, together with the Business CEO (director general) appointed by the Board of Directors, with overall responsibility for all of the businesses of the Group, and the rest of the management team, assumes the duty of strategic organisation and coordination of the Group through the dissemination, implementation and monitoring of the general strategy and the basic management guidelines established by the Board of Directors.

Article 3. Duties of the Operating Committee
1. It is a core duty of the Operating Committee to provide technical, informational, and management support with respect to the supervision and monitoring and strategic planning duties of the businesses that the Board of Directors of the Company must define for the Group as a whole and that its chairman & chief executive officer must promote and implement together with the chief operating officer and the rest of the management team, thus permitting the development of the Group’s Business Model, based on the coexistence of a decentralised structure of decision-making processes and the global integration of the businesses.

2. In this regard, the Operating Committee shall establish methodologies, analysis systems, procedures for the supervision of decisions, and monitoring instruments at the Group level, in the interest and for the benefit of all the companies thereof, with due respect at all times for the scope of the day-to-day management and effective administration within the power of the corporate governance and management decision-making bodies of each of the head of business companies.

3. In order to perform its duties, the Operating Committee shall promote the establishment of internal rules (regarding investments and divestments, purchases, corporate services, etc.) that shall serve as instruments of coordination for the benefit and in the interest of all the Group companies, thereby facilitating the supervision and monitoring of decision-making in order to ensure compliance with the management strategies and guidelines established by the Board of Directors of the Company, as the controlling company within the Group.

Article 4. Composition and Operation of the Operating Committee
1. The chairman & chief executive officer of the Company shall establish the composition of the Operating Committee, having regard to the duties assigned thereto. In any event, the chief operating officer shall be part of the Operating Committee. Those persons that the chairman & chief executive officer deems appropriate may also attend its meetings as invitees, either regularly or at a specific meeting.
2. The Operating Committee shall be chaired and managed by the chairman & chief executive officer of the Company, who shall establish the rules governing the operation thereof. The chief of cabinet of the chairman & chief executive officer shall act as secretary.

3. Company officers other than the members of the Operating Committee and the officers of the various country subholding and head of business companies of the Group may appear at the Operating Committee in order to facilitate an exchange of information with the senior management of the Company in furtherance of better coordination and decision-making for the implementation of the management strategies and guidelines established at the Group level.

4. In the performance of its duties, the Operating Committee fully respects the rules governing the segregation of regulated activities applicable in each jurisdiction, as well as the applicable legal requirements in the various markets and regions in which the Group carries out its activities.