



Julián Martínez-Simancas
Secretary of the Board of Directors

Bilbao, 28 February 2020

To the National Securities Market Commission

Re: Other relevant information / Publication of the Announcement of the Call to the 2020 General Shareholders' Meeting and Documentation Made Available to the Shareholders.

Dear Sirs:

Pursuant to the provisions of section 227 of the restated text of the Securities Market Act (*Ley del Mercado de Valores*) approved by *Royal Legislative Decree 4/2015, of 23 October*, and in continuation of our notice of other relevant information dated 24 February 2020 (record number 236), we hereby send to you, attached hereto, the announcement of the call to the General Shareholders' Meeting of Iberdrola, S.A. (the "**Company**"), which in all likelihood will be held on Thursday 2 April 2020, on first call, with the agenda set forth in the aforementioned notice.

Said announcement of the call to meeting is published today in the Official Bulletin of the Commercial Registry (*Boletín Oficial del Registro Mercantil*) and on the Company's corporate website (www.iberdrola.com), where it shall be continuously accessible until at least the holding of the General Shareholders' Meeting.

Also attached hereto are the proposed resolutions and reports of the Board of Directors in relation to the various items on the agenda for said General Shareholders' Meeting. These proposed resolutions and reports of the Board of Directors, together with the other documents relating to the General Shareholders' Meeting, will be available to the shareholders at the registered office and on the corporate website of the Company on the terms set out in the announcement of the call to meeting.

Of which we inform you for such purposes as may be appropriate.

Sincerely,

The secretary of the Board of Directors

NOTICE: This document is a translation of a duly approved Spanish-language document, and is provided for informational purposes only. In the event of any discrepancy between the text of this translation and the text of the original Spanish-language document which this translation is intended to reflect, the text of the original Spanish-language document shall prevail.
IBERDROLA, S.A. Registered office – Plaza Euskadi, 5 48009 Bilbao (Biscay)
Commercial Registry of Biscay, volume 17 of the Companies Book, folio 114, page 901 (now BI-167-A), entry 1 – Tax ID no. A-48010615
www.iberdrola.com



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IMPORTANT INFORMATION

This communication does not constitute an offer to purchase, sell or exchange or the solicitation of an offer to purchase, sell or exchange securities. The shares of Iberdrola, S.A. may not be offered or sold in the United States of America except pursuant to an effective registration statement under the Securities Act or pursuant to a valid exemption from registration.

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General Shareholders' Meeting

2 April 2020

Announcement of the Call to Meeting



IBERDROLA

Call to the 2020 General Shareholders' Meeting of Iberdrola, S.A.

Where: Palacio Euskalduna, avenida Abandoibarra número 4, 48011 Bilbao.

When: Thursday, 2 April 2020, at 11:00 ¹.

Attendance bonus: 0.005 euro (gross) for each share present at the General Meeting, including those of shareholders who attend in person or by proxy representation granted to any third party and of those who cast an absentee vote.

Agenda

Management results and audit	<ol style="list-style-type: none"> 1. Annual accounts 2019. 2. Management reports 2019. 3. Statement of non-financial information 2019. 4. Corporate management and activities of the Board of Directors in 2019. 5. Re-election of KPMG Auditores, S.L. as statutory auditor.
Corporate Governance System	<ol style="list-style-type: none"> 6. Amendment of articles 6, 7 and 17 of the <i>By-Laws</i> in order to redefine the concepts of corporate interest and social dividend. 7. Amendment of article 8 of the <i>By-Laws</i> in order to give recognition in the <i>By-Laws</i> to the Compliance System and to the Compliance Unit. 8. Amendment of article 10 of the <i>By-Laws</i> in order to reflect the amount of share capital resulting from the reduction thereof by means of the retirement of a maximum of 213,592,000 own shares (3.31% of the share capital). 9. Amendment of article 9 of the <i>Regulations for the General Shareholders' Meeting</i> in order to give the shareholders acting at a Meeting the power to approve the statement of non-financial information. 10. Amendment of articles 14, 19, and 39 of the <i>Regulations for the General Shareholders' Meeting</i> in order to update the regulation of the right to information and the mechanisms for remote participation. 11. Amendment of articles 6, 7, 15, 16, 17, 22, 33 and 44 of the <i>Regulations for the General Shareholders' Meeting</i> in order to make technical improvements.
Remuneration	<ol style="list-style-type: none"> 12. Allocation of profits/losses and distribution of 2019 dividends, the supplementary payment of which will be made within the framework of the "Iberdrola Flexible Remuneration" optional dividend system. 13. First increase in capital by means of a scrip issue at a maximum reference market value of 1,625 million euros in order to implement the "Iberdrola Flexible Remuneration" optional dividend system. 14. Second increase in capital by means of a scrip issue at a maximum reference market value of 1,415 million euros in order to implement the "Iberdrola Flexible Remuneration" optional dividend system. 15. Consultative vote regarding the <i>Annual Director Remuneration Report 2019</i>. 16. Strategic bonus for the professionals of the Iberdrola group linked to the Company's performance during the 2020-2022 period, to be paid through the delivery of shares.
Board of Directors	<ol style="list-style-type: none"> 17. Appointment of Ms Nicola Mary Brewer as independent director. 18. Appointment of Ms Regina Helena Jorge Nunes as independent director. 19. Re-election of Mr Íñigo Víctor de Oriol Ibarra as other external director. 20. Re-election of Ms Samantha Barber as independent director. 21. Setting of the number of members of the Board of Directors at fourteen.
Approvals and delegation of powers	<ol style="list-style-type: none"> 22. Authorisation to increase the share capital upon the terms and within the limits set out by law, with the power to exclude pre-emptive rights, limited to a maximum overall amount of 10% of the share capital. 23. Authorisation to issue debentures that are exchangeable for and/or convertible into shares and warrants in the amount of up to 5,000 million euros, for a term of five years, with the power to exclude pre-emptive rights, limited to a maximum overall amount of 10% of the share capital. 24. Delegation of powers for the formalisation and conversion into a public instrument of the resolutions adopted.

¹ It is expected that the General Meeting will be held on Thursday 2 April on first call. It would be held the next day at the same time if the required quorum were not reached.

Participation and documentation

Ways to participate	<p>Each shareholder having at least one share registered in the shareholder's name on 27 March may attend the General Meeting, grant their proxy or cast an absentee vote through the depositaries or the following Iberdrola channels:</p> <ul style="list-style-type: none"> • Shareholder information desks in Bilbao, Madrid, Valencia, Valladolid and Zaragoza. • Electronically, through the corporate website www.iberdrola.com. • By telephone, calling 900 100 019 (free phone). • By mail, sending the attendance, proxy and absentee voting card to the Company (apartado de correos número 1.113, 48080 Bilbao).
www.iberdrola.com	<p>The documentation may be viewed on the corporate website, without prejudice to the right of the shareholders to examine at the registered office and to request the immediate delivery or shipping without charge of a copy of the individual and consolidated annual accounts and management reports for financial year 2019, together with the respective audit reports, the statement of non-financial information for said financial year, and the proposed resolutions and reports of the Board of Directors.</p> <p>Said website also provides information regarding the exercise of shareholder rights (including the right to request the publication of a supplement to the call to meeting and to submit well-founded proposed resolutions, which expires on 4 March), as well as the reduction and increases in capital and the amendments to the <i>Regulations of the Board of Directors</i> made since the last General Meeting.</p>
Questions and clarifications	<p>Shareholders may consult a virtual guide or assistant on the corporate website and on the Investor Relations App to find answers to any question regarding the General Meeting, as well as the free phone 900 100 019 and the e-mail address accionistas@iberdrola.com as permanent channels of contact with the Office of the Shareholder.</p> <p>The right to receive information prior to the General Meeting upon the terms provided by law will expire on 28 March.</p>
Sustainable, accessible and inclusive event	<p>Since 2016, the Basque Government (through the public company Ihobe) and AENOR have certified that the General Meeting complies with the standards on the environmental sustainability of events in the Basque Country (Erronka Garbia) and with the ISO 20121:2012 standard for sustainable event management, respectively.</p> <p>Shareholders with visual limitations may request any document of the General Meeting in a format compatible with text-to-speech systems and request the delivery of this announcement printed in Braille. Shareholders with hearing limitations can receive information from the Office of the Shareholder through video interpreters and follow the General Meeting via magnetic loop, electronic surtitling and simultaneous Spanish sign language interpreting systems. The venue selected to hold the event has a universal accessibility certificate under the European UNE 170.001-2 standard.</p> <p>Translations into English of all documentation will be published on the corporate website. The proceedings will take place in Spanish and interpreting services will be available to follow the meeting in Euskera (Basque), English and Portuguese, as well for shareholders to be able to make presentations in any of these languages.</p>

In Bilbao, on 24 February 2020.

The secretary of the Board of Directors.

Personal data protection: the Company will process the personal data given thereto by the shareholders or the institutions with which their shares are deposited in order to manage the call to and holding of the General Meeting, based on compliance with a legal obligation. The data thereof will also be processed based on the legitimate interest of the Company in applying the corporate policies regarding transparency and shareholder engagement, including the payment of the attendance bonus, and in creating analyses and reports to optimise the management of the General Meeting. Finally, the image and voice thereof will be processed in order to record them, reproduce them and broadcast them based on the legitimate interest of the Company in complying with best transparency practices.

Said data may be shared with the notary who prepares the minutes for the General Meeting. They may also be transferred to third parties in exercise of the right to information provided by law.

The rights of access, rectification, objection, erasure and restriction of processing may be exercised in accordance with the *Implementing Rules for the General Shareholders' Meeting*, available on the corporate website (www.iberdrola.com), which contains additional privacy-related information.

General Shareholders' Meeting

2 April 2020

Proposed Resolutions



2020 GENERAL SHAREHOLDERS' MEETING

PROPOSED RESOLUTIONS

ITEM NUMBER ONE ON THE AGENDA

Annual accounts 2019.

RESOLUTION

To approve the individual annual accounts of IBERDROLA, S.A. (balance sheet, profit and loss account, statement of changes in shareholders' equity, statement of cash flows and notes) and the annual accounts of the Company consolidated with those of its subsidiaries (consolidated statements of financial position, consolidated statements of profit and loss, consolidated statements of overall profit and loss, consolidated statements of changes in shareholders' equity, consolidated statements of cash flows and consolidated notes) for the financial year ended on 31 December 2019, formulated by the Board of Directors at its meeting held on 24 February 2020.

ITEM NUMBER TWO ON THE AGENDA

Management reports 2019.

RESOLUTION

To approve the individual management report of IBERDROLA, S.A. and the management report of IBERDROLA, S.A. consolidated with that of its subsidiaries for the financial year ended on 31 December 2019, formulated by the Board of Directors at its meeting held on 24 February 2020.

ITEM NUMBER THREE ON THE AGENDA

Statement of non-financial information 2019.

RESOLUTION

To approve the statement of non-financial information 2019 of IBERDROLA, S.A. consolidated with that of its subsidiaries for the financial year ended on 31 December 2019, formulated by the Board of Directors at its meeting held on 24 February 2020.

ITEM NUMBER FOUR ON THE AGENDA

Company management and activities of the Board of Directors in 2019.

RESOLUTION

To approve the management of the Company and the activities of the Board of Directors of IBERDROLA, S.A. during the financial year ended on 31 December 2019.

ITEM NUMBER FIVE ON THE AGENDA

Re-election of KPMG Auditores, S.L. as statutory auditor.

RESOLUTION

To re-elect KPMG Auditores, S.L. as statutory auditor of IBERDROLA, S.A. and of its consolidated group to carry out the audit for financial years 2020 and 2021, authorising the Board of Directors, with express power of substitution, to enter into the respective services agreement, on the terms and conditions it deems appropriate, with authority to make such amendments therein as may be required in accordance with the law applicable at any time.

This resolution is submitted by the Board of Directors for the approval of the shareholders at the General Shareholders' Meeting following a proposal from the Audit and Risk Supervision Committee.

KPMG Auditores, S.L. has its registered office in Madrid, at Paseo de la Castellana, número 259 C, and bears Tax Identification Number B-78510153. It is registered with the Official Statutory Auditors' Registry (*Registro Oficial de Auditores de Cuentas*) of the Institute of Accounting and Accounts Auditing under number S0702 and with the Madrid Commercial Registry at volume 11,961, sheet M-188,007.

ITEM NUMBER SIX ON THE AGENDA

Amendment of articles 6, 7 and 17 of the *By-Laws* in order to redefine the concepts of corporate interest and social dividend.

RESOLUTION

Amendment of articles 6, 7 and 17 of the *By-Laws* in order to redefine the concepts of corporate interest and social dividend. Said articles shall hereafter read as follows:

“Article 6. Corporate Interest

The Company conceives of the corporate interest as the common interest of all persons owning shares 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 Purpose and Values of the Iberdrola group and with the commitments made in its Code of Ethics.”

“Article 7. Social Dividend

- 1. The performance of the activities included in the corporate object, particularly the Company's innovation and digital transformation strategy, must be focused on the sustainable creation of value, in accordance with the Purpose and Values of the Iberdrola group and with the commitments made in its Code of Ethics.*
- 2. The Company conceives of the social dividend as the direct, indirect or induced contribution of value of its activities for all Stakeholders, particularly through its contribution to the achievement of the Sustainable Development Goals (SDGs) approved by the United Nations.*
- 3. The statement of non-financial information formulated by the Board of Directors and approved by the shareholders at the General Shareholders' Meeting presents the Company's*

performance in the social, environmental and sustainability areas, as well as the social dividend generated and shared with its Stakeholders.

4. *The Company shall promote the public dissemination of its non-financial information and of the social dividend generated, especially among its Stakeholders.”*

“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 approval of the statement of non-financial information.*
 - c) *The appointment, re-election and removal of directors, as well as the ratification of directors designated by interim appointment to fill vacancies.*
 - d) *The approval of the director remuneration policy.*
 - e) *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.*
 - f) *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.*
 - g) *The appointment, re-election and removal of the statutory auditors.*
 - h) *The amendment of these By-Laws.*
 - i) *An increase or reduction in share capital.*
 - j) *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.*
 - k) *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.*
 - l) *The exclusion or limitation of pre-emptive rights.*
 - m) *The authorisation for the derivative acquisition of the Company’s own shares.*

- n) *The transformation, merger, split-off or overall assignment of assets and liabilities and the transfer of the registered office abroad.*
 - o) *The dissolution of the Company and the appointment and removal of the liquidators.*
 - p) *The approval of the final liquidating balance sheet.*
 - q) *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.*
 - r) *The exercise of derivative liability actions against directors, statutory auditors and liquidators.*
 - s) *The approval and amendment of the Regulations for the General Shareholders' Meeting.*
 - t) *The transfer to controlled entities of core activities that were previously carried out by the Company itself, while maintaining full control thereof.*
 - u) *The acquisition, transfer or contribution of key assets from or to another company.*
 - v) *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."*

ITEM NUMBER SEVEN ON THE AGENDA

Amendment of article 8 of the *By-Laws* in order to give recognition in the *By-Laws* to the Compliance System and to the Compliance Unit.

RESOLUTION

Amendment of article 8 of the *By-Laws* in order to give recognition in the *By-Laws* to the Compliance System and to the Compliance Unit. Said article shall hereafter read as follows:

"Article 8. Applicable Legal Provisions, Corporate Governance System and Compliance System

1. *The Company is governed by the legal provisions relating to listed companies and other applicable laws and regulations, as well as by its Corporate Governance System.*
2. *The Corporate Governance System is the Company's internal system of rules, which is configured in accordance with applicable law in the exercise of corporate autonomy supported thereby and applies to the entire Group. It is intended to ensure through rule-making the best development of the corporate contract that binds its shareholders, and especially the corporate object, the corporate interest and the social dividend, as defined in the preceding articles.*
3. *The Company's Corporate Governance System is made up of these *By-Laws*, the Purpose and Values of the Iberdrola group, the Code of Ethics, the corporate policies and the other governance and compliance rules.*

4. *The Purpose and Values of the Iberdrola group set out its raison d'être, the ideological and axiological foundation of its business enterprise, which, due to its size and the importance, is a focal point for many Stakeholders and for the economic and social environment in which its component entities do business.*
5. *The Purpose and Values of the Iberdrola group also 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 entities of the Group and guiding their strategy and all of their actions.*
6. *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.*
7. *Full or summarised versions of the rules making up the Corporate Governance System can be viewed on the Company's corporate website.*
8. *The Company also has a Compliance System, consisting of a structured set of rules, procedures and activities intended to prevent and manage the risk of regulatory and ethical breaches or breaches of the Corporate Governance System itself, as well as to contribute to the full realisation of the Purpose and Values of the Iberdrola group and the corporate interest.*
9. *The application and further development of the Company's compliance function and Compliance System is the responsibility of the Compliance Unit, an autonomous body linked to the Sustainable Development Committee of the Board of Directors."*

ITEM NUMBER EIGHT ON THE AGENDA

Amendment of article 10 of the By-Laws in order to reflect the amount of share capital resulting from the reduction thereof by means of the retirement of a maximum of 213,592,000 own shares (3.31% of the share capital).

RESOLUTION

1. **Reduction in Capital by means of the Retirement of Both Currently Existing Own Shares Held in Treasury and of Own Shares to Be Acquired through the Settlement of Derivatives Acquired prior to the Formulation of this Proposed Resolution through a Buy-back Programme for the Retirement thereof.**

To reduce the share capital of IBERDROLA, S.A. (the "**Company**") by the amount resulting from the sum of:

- i. 76,293,207.75 euros, through the retirement of 101,724,277 existing own shares held in treasury as at 24 February 2020, each with a nominal value of 0.75 euro, acquired under the authorisation granted by the shareholders at the General Shareholders' Meeting held on 13 April 2018 under item twelve on the agenda and within the limits established by section 146 and related provisions and section 509 of the *Companies Act* (the "**Existing Treasury Shares**"); and
- ii. the aggregate nominal value, up to the maximum amount of 83,900,792.25 euros, of the own shares of the Company, each with a nominal value of 0.75 euro, up to a limit of 111,867,723 own shares (the "**Overall Limit**"), that are acquired for their retirement both through the settlement, no later than 12 June 2020, of the derivatives acquired by the Company prior to 24

February 2020 (the “**Derivatives**”) and under the programme for the buy-back of up to 111,867,723 own shares that will be in effect until no later than 12 June 2020 and that was approved by the Board of Directors on 24 February 2020 (the “**Buy-back Programme**”), under (a) the provisions of *Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse* and of *Commission Delegated Regulation (EU) No 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures*, and (b) the authorisation granted by the shareholders at the General Shareholders’ Meeting held on 13 April 2018 under item twelve on the agenda.

Consequently, the maximum amount of the reduction in capital (the “**Reduction in Capital**”) shall be 160,194,000 euros, through the retirement of a maximum of 213,592,000 own shares, each with a nominal value of 0.75 euro, representing not more than 3.31% of the share capital at the time this resolution is approved.

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

Once the final figure of the Reduction in Capital has been determined, article 10 of the *By-Laws* setting the share capital will be amended such that it reflects the new amount of share capital and the new number of outstanding shares.

2. Procedure for Acquisition of the Shares that Will Be Retired under the Buy-back Programme.

Without prejudice to the Existing Treasury Shares, and in accordance with the resolution approved by the Board of Directors at its meeting of 24 February 2020, the Company may acquire a maximum number of 111,867,723 own shares by way of implementation of the Buy-back Programme for all of the shareholders and for their retirement, each of such own shares having a nominal value of 0.75 euro and representing a maximum of 1.733% of the share capital of the Company on the date of approval of this resolution, which number is within the legal limit and the limit provided for in the authorisation for the acquisition of own shares granted by the shareholders at the General Shareholders’ Meeting held on 13 April 2018 under item twelve on the agenda.

As provided in the aforementioned resolution of the Board of Directors, the own shares shall be acquired subject to such terms as to price and volume as are established in article 5 of *Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse* and in articles 2, 3 and 4 of *Commission Delegated Regulation (EU) No 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures*.

In accordance with the foregoing, pursuant to section 340.3 of the *Companies Act*, if the Company fails to acquire the maximum number of 111,867,723 own shares, each with a nominal value of 0.75 euro, both through the settlement, no later than 12 June 2020, of the Derivatives and under the Buy-back Programme, it shall be understood that the share capital is reduced by the sum of (i) the amount

corresponding to the Existing Treasury Shares, and (ii) the amount corresponding to the sum of the shares effectively acquired within the framework of the Buy-back Programme and pursuant to the settlement of the Derivatives no later than 12 June 2020.

3. Procedure for the Reduction and Reserves with a Charge to which It Is Carried Out.

Pursuant to the provisions of section 342 of the *Companies Act*, the Reduction in Capital must be implemented within one month following the expiration of the Buy-back Programme.

The Reduction in Capital does not entail a return of contributions to the shareholders because the Company itself is the holder of the shares being retired, and it shall be carried out with a charge to unrestricted reserves by funding a retired capital reserve in an amount equal to the nominal value of the retired shares; such reserve may only be used by complying with the same requirements as those applicable to a reduction in share capital, as provided by section 335 c) of the *Companies Act*.

Therefore, in accordance with the provisions of such section, creditors of the Company will not be entitled to assert the right of objection contemplated by section 334 of the *Companies Act* in connection with the Reduction in Capital.

4. Ratification of the Resolutions of the Board of Directors.

To ratify the resolutions of the Board of Directors regarding the approval of the Buy-back Programme and the establishment of the terms and conditions thereof, including the determination of the maximum number of shares to be acquired within the framework and the effective period thereof, as well as to ratify the acts, statements and formalities carried out through the date hereof in connection with the public communication of the Buy-back Programme.

5. Delegation of Powers.

To delegate to the Board of Directors, with express power of substitution, the powers necessary to implement this resolution within a period not to exceed one month following the expiration of the Buy-back Programme, with authority to establish any terms that are not expressly set forth in this resolution or that are a consequence hereof. In particular, and by way of example only, the following powers are delegated to the Board of Directors, with express power of substitution:

- (a) To modify the maximum number of shares that may be bought back by the Company, within the limits set in this resolution and by law, as well as any other terms and conditions of the Buy-back Programme, all in accordance with the provisions of *Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse* and in *Commission Delegated Regulation (EU) No 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures*.
- (b) To perform any acts, make any statements or take any steps that may be required in connection with the public communication of the Buy-back Programme and with the formalities, if any, that must be carried out at Spanish regulatory agencies and Stock Exchanges; negotiate, agree to and sign all contracts, agreements, commitments or instructions that may be necessary or appropriate for the successful completion of the Buy-back Programme.
- (c) To cause all announcements required by law to be published, acquire the shares under the Buy-back Programme and retire them within one month following the expiration of the Buy-back Programme, in accordance with the terms approved herein.

- (d) To declare the approved Reduction in Capital to be completed and implemented, establishing, for such purpose, the final number of shares that must be retired and, as a result, the amount by which the share capital of the Company must be reduced in accordance with the rules specified in this resolution.
- (e) To set the final amount of the Reduction in Capital based on the provisions of this resolution and establish any other terms that may be required to implement it, all in accordance with the terms and conditions set forth above.
- (f) To amend article 10 of the *By-Laws* setting the share capital such that it reflects the amount of share capital and the number of outstanding shares resulting from the implementation of the Reduction in Capital.
- (g) To take such steps and carry out such formalities as may be required and submit such documents as may be necessary to the competent bodies such that, once the shares of the Company have been retired and the notarial instrument for the Reduction in Capital has been executed and registered with the Commercial Registry, the retired shares are delisted from the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market), and they are removed from the corresponding book-entry records of “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR).
- (h) To perform all acts that may be necessary or appropriate to implement and formalise the Reduction in Capital before any Spanish or foreign public or private entities and agencies, including acts for purposes of representation, supplementation or correction of defects or omissions that might prevent or hinder the full effectiveness of the foregoing resolutions.

Pursuant to the provisions of section 249.2 of the *Companies Act*, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.

ITEM NUMBER NINE ON THE AGENDA

Amendment of article 9 of the *Regulations for the General Shareholders’ Meeting* in order to give the shareholders acting at a Meeting the power to approve the statement of non-financial information.

RESOLUTION

Amendment of article 9 of the *Regulations for the General Shareholders’ Meeting* in order to give the shareholders acting at a Meeting the power to approve the statement of non-financial information. Said article shall hereafter read as follows:

“Article 9. Powers

1. *The shareholders acting at a General Shareholders’ Meeting shall decide the matters assigned thereto by law, the By-Laws, these Regulations or other rules of the Corporate Governance System, and particularly 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 approval of the statement of non-financial information.*
- c) *The allocation of profits/losses.*
- d) *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 share 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.*
- 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 the statutory auditors:

- a) *The appointment, re-election and removal of the statutory auditors.*
- b) *The exercise of derivative liability actions against the statutory 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."*

ITEM NUMBER TEN ON THE AGENDA

Amendment of articles 14, 19, and 39 of the *Regulations for the General Shareholders' Meeting* in order to update the regulation of the right to receive information and the mechanisms for remote participation.

RESOLUTION

Amendment of articles 14, 19, and 39 of the *Regulations for the General Shareholders' Meeting* in order to update the regulation of the right to receive information and the mechanisms for remote participation. Said articles shall hereafter read as follows:

“Article 14. Corporate Website

1. *The Company shall use its corporate website to promote the informed participation of all shareholders in the General Shareholders' Meeting and to facilitate the exercise of their rights related thereto.*
2. *From the date of publication of the announcement of the call to meeting through the date of holding of the General Shareholders' Meeting in question, the Company shall continuously publish on its corporate website in electronic format and in an organised and environmentally-friendly manner, such information as is required by law or deemed appropriate to facilitate and promote the attendance and participation of the shareholders at the General Shareholders' Meeting, including in any case the following:*
 - a) *The announcement of the call to the General Shareholders' Meeting.*
 - b) *The total number of shares and voting rights existing on the date of the announcement of the call to meeting, broken down by classes of shares, if any.*
 - c) *Such documents relating to the General Shareholders' Meeting as are required by law, including the reports of the directors, the statutory auditors and the independent experts that are expected to be submitted, proposed resolutions submitted by the Board of Directors or by the shareholders, and any other relevant information that the shareholders might need in order to cast their vote.*
 - d) *In the event that the shareholders acting at a General Shareholders' Meeting must deliberate on the appointment, re-election, or ratification of directors, the corresponding proposed resolution shall be accompanied by the following information: professional profile and biographical data of the director; other boards of directors on which the director holds office, at listed companies or otherwise; type of director such person is or should be, with mention, in the case of proprietary directors, of the shareholder that proposes or proposed the appointment thereof or who the director represents or with which the director maintains ties; date of the director's first and any subsequent appointments as director of the Company; shares of the Company and derivative financial instruments whose underlying assets are shares of the Company of which such director is the holder; the report prepared by the Board of Directors and the proposal of the Appointments Committee in the case of independent directors, and the report of 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.*
3. *Furthermore, after the publication of the announcement of the call to the Ordinary General Shareholders' Meeting, the Company shall include on its corporate website the following documentation, which the Board of Directors may group into one or more reports:*
- a) *The report on the independence of the statutory auditor prepared by the Audit and Risk Supervision Committee.*
 - b) *The related-party transactions report prepared by the Appointments Committee.*
 - c) *The activities report of the Board of Directors and of the Committees thereof.*
 - d) *The integrated report.*
 - e) *Any other reports determined by the Board of Directors.*
4. *After the publication of the announcement of the call to meeting, the Company shall use its best efforts to include in its corporate website an English version of the information and the principal documents related to the General Shareholders' Meeting. In the event of a discrepancy between the Spanish and English versions, the former shall prevail.*
5. *Pursuant to the provisions of applicable legislation, an Electronic Shareholders' Forum shall be enabled on the Company's corporate website on occasion of the call to the General Shareholders' Meeting. Duly verified shareholders and shareholder groups may access the Electronic Shareholders' Forum, the use of which shall conform to its legal purpose and to the assurances and rules of operation established by the Company.*

“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) *Through the financial institutions that are intermediaries, managers and depositaries in which their shares are deposited, in order for said institutions to in turn cause the instructions received to be delivered to the Company.*
 - b) *Through the proxy form available on the Company's corporate website, using the instantaneous authentication systems implemented by the Company, 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.

- c) *Advance delivery of the attendance, proxy and absentee voting card or any other means of verifying the grant of a proxy that is accepted by the Company at the premises provided by the Company on the days announced on the Company's corporate website.*
 - d) *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.*
 - e) *By any other means of remote communication that the Board of Directors determines to favour the participation of the largest possible number of shareholders, provided that notice thereof is given on the corporate website at the time of publishing the announcement of the call to meeting, that it provides sufficient guarantees of the authenticity and identification of the shareholder granting the proxy, and, if appropriate, that it duly ensures the security of the electronic communications.*
3. *A proxy granted by any of the means indicated in the preceding section must be received by the Company before 24:00 on the day immediately prior to the day on which the General Shareholders' Meeting is held upon first call or upon second call, as applicable.*
 4. *The Board of Directors is authorised to further develop the foregoing provisions by establishing rules, means and procedures adjusted to current techniques in order to organise the 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 systematise, further develop, adapt and specify the provisions of the Corporate Governance System regarding the management of the General Shareholders' Meeting.

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

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

1. *Shareholders may cast their absentee vote regarding proposals relating to the items included in the agenda of the call to meeting by the means indicated in section 2 of article 19 above. 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 duly completed and signed 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.*
3. *Votes through the form available on the corporate website shall be cast using the means referred to in letter b) of article 19.2 above.*
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 for the holding of the General Shareholders' Meeting upon first call or 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 and the instantaneous authentication system for granting proxies and casting votes electronically or by other valid means of long-distance communication. It may also reduce the advance period established in section 4 above for receipt by the Company of absentee votes and proxies granted by postal or electronic correspondence, and accept and authorise the chair of and the secretary for the General Shareholders' Meeting and the persons acting by delegation therefrom to accept, absentee votes and proxies received after such period, to the extent permitted by the means available.

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

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

ITEM NUMBER ELEVEN ON THE AGENDA

Amendment of articles 6, 7, 15, 16, 17, 22, 33 and 44 of the *Regulations for the General Shareholders' Meeting* in order to make technical improvements.

RESOLUTION

Amendment of articles 6, 7, 15, 16, 17, 22, 33 and 44 of the *Regulations for the General Shareholders' Meeting* in order to make various technical improvements. Said articles shall hereafter read as follows:

“Article 6. Guide, Rules of Implementation and Management Framework for the General Shareholders' Meeting

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 guide, in the medium it deems appropriate (including a virtual assistant), in order to clearly explain the most significant aspects regarding the operation of the General Shareholders' Meeting and the procedures established for the exercise of their rights thereat.*
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 Sustainable Management Policy, the Company shall endeavour to ensure that all actions relating to the organisation of the General Shareholders' Meeting comply with the best practices in this area.”*

“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 or in blank, abstain from voting or lack the right to vote, without prejudice to the rights they may have to challenge such resolutions.”*

“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 transmission 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 b) 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 shareholder, 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 sections 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 available 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."*

"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 or gifts may 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.*
3. *The Company shall verify compliance with this requirement by consulting the data provided for this purpose by "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR) or by another valid means."*

"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, on the legal basis of the Company's legitimate interest in complying with best transparency practices. A data subject shall have the rights of access, rectification, objection, erasure and restriction of processing of the data collected by the Company on the terms established by law by sending a letter addressed to the registered office or to the Office of the Shareholder (the postal address of which shall be provided by the Company for each Meeting) and at the e-mail address established by the Company for each Meeting. The data subject may also request more detailed information regarding the Company's privacy policy at the postal and electronic addresses indicated above.*
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 33. Establishment of a 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 the shares in attendance at the meeting, with an indication of the share capital that such shares represent. The chair, or if applicable, the secretary, may project the data resulting from the list of attendees onto the screens of the place where the meeting is held instead of reading the data.*
2. *The chair of the General Shareholders’ Meeting shall then, 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 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 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.”*

ITEM NUMBER TWELVE ON THE AGENDA

Allocation of profits/losses and distribution of 2019 dividends, the supplementary payment of which will be made within the framework of the “Iberdrola Flexible Remuneration” optional dividend system.

RESOLUTION

To approve the proposed allocation of profits/losses and distribution of dividends for financial year 2019 formulated by the Board of Directors at its meeting held on 24 February 2020, which is described below:

To distribute, with a charge to the results for the financial year ended 31 December 2019, a dividend in the aggregate gross amount that will be equal to the sum of the following amounts (the **"Dividend"**):

- a) 238,558,646.76 euros, which were paid on account of the dividend for financial year 2019 on 5 February 2020 to the holders of 1,419,991,945 shares of IBERDROLA, S.A. (the **"Company"** or **"Iberdrola"**) who elected to receive their remuneration in cash within the framework of the second implementation of the "Iberdrola Flexible Remuneration" optional dividend system for financial year 2019 by collecting an amount of 0.168 euro (gross) per share (the total amount paid to said holders will be referred to as the **"Total Interim Dividend"**); and
- b) the determinable amount resulting from multiplying:
 - i. the gross amount per share to be distributed by the Company as a supplementary dividend payment for financial year 2019 within the framework of the first implementation of the "Iberdrola Flexible Remuneration" optional dividend system for financial year 2020 (the **"Supplementary Dividend"**), and which will be as determined by the Company's Board of Directors pursuant to the rules set forth in the section "Common terms and conditions of the dividend distribution and increase in capital resolutions proposed under items number twelve, thirteen and fourteen on the agenda pursuant to which the "Iberdrola Flexible Remuneration" optional dividend system is implemented" (the **"Common Terms"**); by
 - ii. the total number of shares with respect to which the holders thereof have elected to receive the Supplementary Dividend within the framework of the first implementation of the "Iberdrola Flexible Remuneration" optional dividend system.

The amount of the Supplementary Dividend, and therefore the amount of the Dividend, cannot be determined as of the date of formulation of this proposed resolution.

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

The collection of the Supplementary Dividend provided for in this resolution is thus configured, in accordance with the provisions of the Common Terms, as one of the alternatives that a shareholder of Iberdrola can choose when receiving their remuneration within the framework of the first implementation of the "Iberdrola Flexible Remuneration" optional dividend system for financial year 2020. As a result of the foregoing, and as described below in the Common Terms, it shall be deemed that those shareholders choosing to receive their remuneration in cash through the Supplementary Dividend with respect to all or part of their shares expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares and therefore the ability to transfer them on the market or to receive newly-issued bonus shares corresponding to said free-of-charge allocation rights.

The distribution of the Supplementary Dividend, which is expected to become effective during the month of August 2020, shall be implemented through the participants in "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR), the Board of Directors being hereby authorised to establish the specific date for payment of the Supplementary Dividend, to designate the entity that is to act as paying agent and to take such other steps as may be required or appropriate for the successful completion of the distribution.

The Board of Directors is also delegated the power to set the conditions applicable to the payment of the Supplementary Dividend to the extent not provided for in this resolution, including the determination of the specific gross amount of the Supplementary Dividend subject to the aforementioned rules.

Finally, pursuant to the provisions of section 249.2 of the *Companies Act*, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.

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

BASIS FOR DISTRIBUTION:

Balance from prior financial years: 8,732,386,577.38

Profits for financial year 2019:
2,848,815,453.09

TOTAL: 11,581,202,030.47

DISTRIBUTION:

To Dividend: Amount pending determination which will result from adding: (a) the Total Interim Dividend, and (b) the product resulting from multiplying the Supplementary Dividend by the total number of shares with respect to which the holders thereof have elected to receive the Supplementary Dividend within the framework of the first implementation of the "Iberdrola Flexible Remuneration" optional dividend system for financial year 2020.

To remainder: Determinable amount that will result from subtracting the amount allocated to the Dividend from the total basis for distribution.

TOTAL: 11,581,202,030.47

On the date that the Board of Directors (or the body acting by delegation therefrom) decides to implement the increase in capital that is being submitted for approval of the shareholders at the General Shareholders' Meeting under item number thirteen on the agenda (and therefore, to commence the first implementation of the "Iberdrola Flexible Remuneration" optional dividend system for financial year 2020), the minimum amount of the Supplementary Dividend shall be announced. The final amount of the Supplementary Dividend shall be communicated as soon as the Board of Directors (or the body acting by delegation therefrom) determines it in accordance with the provisions of the Common Terms. Furthermore, once the first implementation of the "Iberdrola Flexible Remuneration" optional dividend system for financial year 2020 is completed, the Board of Directors (with express power of substitution) shall proceed to specify the aforementioned proposed distribution, determining the final amount of the Dividend and the amount to be allocated to remainder.

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

ITEM NUMBER THIRTEEN ON THE AGENDA

First increase in capital by means of a scrip issue at a maximum reference market value of 1,625 million euros in order to implement the “Iberdrola Flexible Remuneration” optional dividend system.

RESOLUTION

To increase the share capital of IBERDROLA, S.A. (the “**Company**” or “**Iberdrola**”) upon the terms and conditions described in the section below, entitled “Common terms and conditions of the dividend distribution and increase in capital resolutions proposed under items number twelve, thirteen and fourteen on the agenda, pursuant to which the “Iberdrola Flexible Remuneration” optional dividend system is implemented” (the “**Common Terms**”), at a maximum reference market value of 1,625 million euros for the shares to be issued in implementation of said increase.

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

Pursuant to the provisions of section 297.1.a) of the *Companies Act*, to delegate to the Board of Directors the power to set the date on which the increase in capital is to be carried out, if at all, and to set the terms and conditions applicable to all matters not included in this resolution.

Pursuant to the provisions of section 249.2 of the *Companies Act*, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.

This increase in capital is expected to be implemented together with the supplementary payment of the dividend contemplated in item number twelve on the agenda during the month of July 2020.

ITEM NUMBER FOURTEEN ON THE AGENDA

Second increase in capital by means of a scrip issue at a maximum reference market value of 1,415 million euros in order to implement the “Iberdrola Flexible Remuneration” optional dividend system.

RESOLUTION

To increase the share capital of IBERDROLA, S.A. (the “**Company**” or “**Iberdrola**”) upon the terms and conditions described in the section below, entitled “Common terms and conditions of the dividend distribution and increase in capital resolutions proposed under items number twelve, thirteen and fourteen on the agenda, pursuant to which the “Iberdrola Flexible Remuneration” optional dividend system is implemented” (the “**Common Terms**”), at a maximum reference market value of 1,415 million euros for the shares to be issued in implementation of said increase.

The increase in capital is expected to be implemented together with the payment of the interim dividend amount for financial year 2020, if any, to be approved by the Company’s Board of Directors (the “**Interim Dividend**”) in order to offer the shareholders the ability to receive their remuneration in cash (by collecting the Interim Dividend) or in newly-issued bonus shares of the Company (through the increase in capital). The delivery of bonus shares issued within the context of the increase in

capital is thus configured as one of the alternatives that a shareholder can choose when receiving their remuneration, pursuant to the provisions of the Common Terms.

Pursuant to the provisions of section 297.1.a) of the *Companies Act*, to delegate to the Board of Directors the power to set the date on which the increase in capital is to be carried out, if at all, and to set the terms and conditions applicable to all matters not included in this resolution.

Pursuant to the provisions of section 249.2 of the *Companies Act*, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.

This increase in capital is expected to be implemented together with the Interim Dividend payment during the month of January 2021.

COMMON TERMS AND CONDITIONS OF THE DIVIDEND DISTRIBUTION AND INCREASE IN CAPITAL RESOLUTIONS PROPOSED UNDER ITEMS NUMBER TWELVE, THIRTEEN AND FOURTEEN ON THE AGENDA, BY VIRTUE OF WHICH THE “IBERDROLA FLEXIBLE REMUNERATION” OPTIONAL DIVIDEND SYSTEM IS IMPLEMENTED

1. Main Characteristics of the “Iberdrola Flexible Remuneration” Optional Dividend System

The purpose of the resolutions for the allocation of profits/losses and dividend distribution and increase in capital resolutions proposed under items number twelve, thirteen and fourteen on the agenda is to implement the “Iberdrola Flexible Remuneration” optional dividend system pursuant to which the shareholders of IBERDROLA, S.A. (the “**Company**” or “**Iberdrola**”) are offered the ability to receive their remuneration in cash or in newly-issued bonus shares.

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

- (i) The first implementation of the “Iberdrola Flexible Remuneration” optional dividend system for financial year 2020, which is expected to take place during the month of July 2020 (the “**First Implementation**”), shall be carried out through the supplementary payment of the dividend for financial year 2019 contemplated in item number twelve on the agenda (the “**Supplementary Dividend**”) together with the implementation of the Increase in Capital submitted for approval of the shareholders at the General Shareholders’ Meeting under item number thirteen on the agenda.
- (ii) The second implementation of the “Iberdrola Flexible Remuneration” optional dividend system for financial year 2020, which is expected to take place during the month of January 2021 (the “**Second Implementation**”, and collectively with the First Implementation, the “**Implementations**” and each of the Implementations, individually, an “**Implementation**”), shall be carried out through the payment of an interim amount of the dividend for financial year 2020 (the “**Interim Dividend**”) to be approved, if appropriate, by the Board of Directors pursuant to the provisions of section 2.2 below, together with the implementation of the Increase in Capital submitted for approval of the shareholders at the General Shareholders’ Meeting under item number fourteen on the agenda.

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

In each of the Implementations, the shareholders may choose from among the following options for remuneration upon the terms and conditions established by the Board of Directors (with express power of substitution):

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

The final amount of each of the Dividend Payments and of each of the Increases in Capital shall be determined by the Company’s Board of Directors (or the body acting by delegation therefrom) within the context of each of the Implementations and pursuant to the provisions of the sections below.

Within the year following the date of approval of the resolutions included in items number twelve, thirteen and fourteen on the agenda, each of the Implementations may be made by the Board of Directors (with express power of substitution) at its sole discretion, and therefore without having to once again obtain the approval of the shareholders at a General Shareholders’ Meeting, and based on the legal and financial conditions existing at the time of each of the Implementations, in order to offer the Company’s shareholders a flexible and efficient remuneration formula.

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

Based on their preferences and needs, the Company’s shareholders may combine any of the alternatives mentioned in paragraphs (a) through (c) above. In any event, the election of one of the remuneration options automatically excludes the ability to choose either of the other two options regarding the same shares.

As described below (see section 3 below), if the requirements of section 277 of the *Companies Act* to distribute the Interim Dividend are not met within the framework of the Second Implementation, the Company will make an irrevocable commitment to acquire the free-of-charge allocation rights arising from the second Increase in Capital at a guaranteed fixed price upon the terms and conditions described below (the “**Purchase Commitment**” and the “**Fixed Purchase Price**”, respectively). In this case, the shareholders may monetise their free-of-charge allocation rights by transferring them to the Company at the Fixed Purchase Price and thus receive a cash amount equal to the one that the Company would have distributed as the Interim Dividend.

Iberdrola assumes no liability for the choices made by the holders of the free-of-charge allocation rights (or for a failure to choose, if an express and valid communication is not received from said holders).

It is also stated for the record that the only period authorised for the holder of free-of-charge allocation rights to communicate to the entities with which their rights are deposited regarding the remuneration options is the Common Election Period, regardless of whether they are institutional or minority holders of rights. Iberdrola assumes no liability for a breach of this period by the depositaries (whether due to not accepting communications during a portion of the Common Election Period or for accepting them after the passage of said period, or for any other reason), for which reason any claim in this regard must be addressed by the shareholders or holders of free-of-charge allocation rights to the depositary in question.

2. Amount of the Dividends.

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

The gross amount to be distributed to the shareholders as a Supplementary Dividend for each share of Iberdrola with the right to receive it shall be determined within the context of the First Implementation by the Board of Directors (with express power of substitution), subject to the terms and conditions set forth in item number twelve on the agenda and in this section (the **“Supplementary Dividend”**). The amount of the Supplementary Dividend shall be calculated in accordance with the terms set forth in this section.

During the Common Election Period for the First Implementation, the Company's shareholders shall have the ability to expressly choose to receive the Supplementary Dividend with respect to all or part of the shares they own and that are outstanding on the relevant date upon the terms set by the Board of Directors (with express power of substitution) and pursuant to applicable securities clearing and settlement rules from time to time in effect. If they choose to receive the Supplementary Dividend with respect to all or part of their shares, the shareholders shall expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares.

After the Common Election Period for the First Implementation has ended, the Board of Directors (with express power of substitution) shall determine the aggregate gross amount in euros corresponding to the Dividend Payment for the First Implementation (equal to the final amount of the Supplementary Dividend) and shall make payment thereof through the participants in “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR), the Board of Directors being hereby authorised for such purpose (with express power of substitution) to establish the specific date on which the Dividend Payment should occur, to designate the entity that is to act as paying agent, and to take such other steps as may be required or appropriate for the successful completion of the Dividend Payment. Furthermore, after calculating said aggregate gross amount corresponding to the Dividend Payment for the First Implementation, the Board of Directors (with express power of substitution) shall, if applicable, rescind the resolution on distribution of the Supplementary Dividend with respect to the amounts that were not distributed to those shareholders who elected (expressly or implicitly) to receive newly-issued bonus shares of the Company or who sold their free-of-charge allocation rights on the market.

Moreover, after calculating the aggregate gross amount of the Supplementary Dividend, the aggregate total amount distributed as a dividend with a charge to the results for the financial year ended 31 December 2019 pursuant to the provisions of item number twelve on the agenda shall be determined and, in view of said amount, the amount of the total basis for distribution

established in said item on the agenda to be allocated to remainder shall be specified, and the resulting proposed allocation of profits/losses and distribution of the dividend for financial year 2019 shall be completed.

The free-of-charge allocation rights acquired on the market during the trading period established for this purpose by the Board of Directors (or the body acting by delegation therefrom) shall not give the acquiring parties the right to choose to receive the Supplementary Dividend. Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market during said trading period that has been activated for this purpose. Alternatively, they may receive the newly-issued bonus shares to which they are entitled.

Section 4.1 below includes the formula for calculating the gross amount per share corresponding to the Supplementary Dividend.

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

The gross amount to be distributed as an Interim Dividend, if any, for each share of Iberdrola with the right to receive it shall be as determined by the Board of Directors pursuant to the corresponding resolution to be adopted prior to 31 December 2020 and pursuant to the provisions of section 277 of the *Companies Act* (the “**Interim Dividend**”).

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

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

The free-of-charge allocation rights acquired on the market during the trading period established for this purpose by the Board of Directors (or the body acting by delegation therefrom) shall not give the acquiring parties the right to choose to receive the Interim Dividend. Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market during said trading period that has been activated for this purpose. Alternatively, they may choose to receive the newly-issued bonus shares to which they are entitled at the end of the aforementioned trading period.

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

Section 4.1 below includes the formula for calculating the gross amount per share corresponding to the Interim Dividend.

3. Purchase Commitment within the Framework of the Second Implementation.

If the requirements of section 277 of the *Companies Act* are not met to distribute the Interim Dividend within the framework of the Second Implementation, the Company will make the Purchase Commitment upon the terms described in this section in order to ensure that the shareholders can receive all or part of their remuneration in cash.

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

The Fixed Purchase Price shall be calculated by applying the formula used to determine the Interim Dividend (see section 4.1 below), such that the amount that would be received by shareholders choosing this option would be equal to the amount they would have received if it had been possible to distribute the Interim Dividend. The Fixed Purchase Price shall be calculated prior to the commencement of the trading period for the free-of-charge allocation rights of the second Increase in Capital and shall be published as soon as it is determined.

The Purchase Commitment assumed by the Company shall cover the free-of-charge allocation rights received by those who are registered as being entitled thereto in the book-entry records of "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR) on the relevant date pursuant to the securities clearing and settlement rules from time to time in effect. The free-of-charge allocation rights acquired on the market during the trading period established for this purpose by the Board of Directors (or the body acting by delegation therefrom) shall not give the acquiring parties the right to exercise the Purchase Commitment or, therefore, to receive the Fixed Purchase Price. Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market during said trading period that has been activated for this purpose. Alternatively, they may choose to receive the newly-issued bonus shares to which they are entitled at the end of the aforementioned trading period.

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

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

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

The Company shall waive the new shares corresponding to the free-of-charge allocation rights that it has acquired by application of the Purchase Commitment. In such an event, pursuant to the provisions of section 311 of the *Companies Act*, there will be an incomplete allocation of the Increase in Capital

corresponding to the Second Implementation, and share capital shall be increased solely by the amount corresponding to the free-of-charge allocation rights that have not been waived.

4. Common Characteristics of the Increases in Capital.

The amount of each of the Increases in Capital shall be the amount resulting from multiplying: (a) the nominal value of each share of the Company, equal to seventy-five euro cents, by (b) the total determinable number of new shares of the Company to be issued, in accordance with the formula set forth in section 4.1 below, on the date of each of the Implementations (the new shares of the Company issued by way of implementation of each of the Increases in Capital shall be collectively referred to as the “**New Shares**”, and each one, individually, as a “**New Share**”).

Both Increases in Capital shall be carried out, if at all, by means of the issuance and flotation, on their respective dates of implementation, of the New Shares, which shall be ordinary shares having a nominal value of seventy-five euro cents each, of the same class and series as those currently outstanding, represented by book entries.

The Increases in Capital shall be entirely carried out with a charge to the reserves contemplated in section 303.1 of the *Companies Act*. When implementing each of the Increases in Capital, the Board of Directors, with express power of substitution, shall determine the reserve(s) to be used and the amount of such reserve(s) in accordance with the balance sheet used as a basis for the transaction.

The New Shares shall be issued at par, i.e. at their nominal value of seventy-five euro cents, without a share premium, and shall be allocated without charge to the shareholders of the Company who have opted for this remuneration alternative.

Pursuant to the provisions of section 311 of the *Companies Act*, the possibility of an incomplete allocation of the Increases in Capital is contemplated in the event that the Company, a company within its group, a shareholder or a third party waives all or part of the free-of-charge allocation rights to which they are entitled at the time of implementation of each of the Increases in Capital, for which reason, in the event of such waiver, the share capital shall be increased by the corresponding amount. For these purposes, it shall be deemed that those who have chosen to receive their remuneration in cash by means of collecting the Dividend in question with respect to all or part of their shares expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares, upon the terms and conditions set forth herein.

4.1 New Shares to Be Issued in Each of the Increases in Capital.

The maximum number of New Shares to be issued in each of the Increases in Capital shall be the number resulting from the application of the following formula, with the resulting number being rounded to the next lower integer:

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

where:

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

TNShrs. = Number of shares of the Company outstanding on the date that the Board of Directors (with express power of substitution) resolves to implement the relevant Increase in Capital. In this regard, those shares of the Company that have previously been retired by virtue of the implementation of the resolution approving the reduction in share capital by means of the retirement of own shares submitted to the shareholders for approval at the General

Shareholders' Meeting under item number eight on the agenda, even if the corresponding public instrument formalising the reduction in share capital has not been executed or is pending registration with the Commercial Registry, shall not be deemed to be outstanding shares of the Company; and

Num. rights = Number of free-of-charge allocation rights required for the allocation of one New Share within the framework of the relevant Increase in Capital, which number will result from the application of the following formula, with the result being rounded to the next higher integer:

Num. rights = TNShrs. / Provisional number of shares

where:

Provisional number of shares = Amount of the Option / ListPri.

For these purposes, "**Amount of the Option**" shall mean the maximum reference market value of the relevant Increase in Capital to be set by the Board of Directors (with express power of substitution) and which shall not be greater than the amount referred to in the proposed increase in capital resolutions submitted for the approval of the shareholders at the General Shareholders' Meeting under items number thirteen and fourteen on the agenda (i.e. 1,625 and 1,415 million euros, respectively).

For its part, "**ListPri**" shall be the arithmetic mean of the average weighted listing prices of the Company's shares on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges through the Automated Quotation System (*Sistema de Interconexión Bursátil*) (Continuous Market) during the five trading sessions prior to the relevant resolution adopted by the Board of Directors (with express power of substitution) which determines the number of free-of-charge allocation rights needed for the allocation of one New Share in the relevant Increase in Capital, rounded to the closest one-thousandth part of one euro.

The maximum number of new shares to be issued thus calculated shall be rounded as required to obtain a whole number of shares (with the result being rounded to the next lower integer) and a ratio for the conversion of rights into shares that is also an integer (with the result being rounded to the next higher integer). In addition, and for the same purposes, the Company (or any entity within its group that holds shares of the Company) shall waive the corresponding free-of-charge allocation rights as provided in section 4.2 below.

Furthermore, the gross amount per share of the Dividend in question, or if the requirements of section 277 of the *Companies Act* are not complied with in the Second Implementation, the Fixed Purchase Price per free-of-charge allocation right will be that which results from the application of the following formula, rounding the result to the closest one-thousandth part of one euro:

Dividend (or, if applicable, Fixed Purchase Price) = ListPri / (Num. rights + 1)

4.2 Free-of-charge Allocation Rights.

In each of the Increases in Capital, each outstanding share of the Company on the date of implementation of the corresponding Increase in Capital (TNShrs.) shall grant its holder one free-of-charge allocation right.

The number of free-of-charge allocation rights required to receive one New Share in each of the Increases in Capital shall be automatically determined according to the ratio existing between the number of outstanding shares of the Company on the date of implementation of

the relevant Increase in Capital (TNShrs.) and the provisional number of New Shares, calculated by using the formula contained in section 4.1 above. Specifically, the holders of free-of-charge allocation rights shall be entitled to receive one New Share for the number of free-of-charge allocation rights held by them, which shall be determined as provided in section 4.1 above (Num. rights).

In the event that the number of free-of-charge allocation rights required for the allocation of one New Share (Num. rights) multiplied by the number of New Shares to be issued (NNS) results in a number that is lower than the number of outstanding shares of the Company on the date of implementation of the corresponding Increase in Capital (TNShrs.), the Company (or such entity within its group, if any, as holds shares of the Company) shall waive a number of free-of-charge allocation rights equal to the difference between both figures for the sole purpose that the number of New Shares be a whole number and not a fraction.

The free-of-charge allocation rights shall be allocated to those who are registered as being entitled thereto in the book-entry records of "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR) on the relevant date pursuant to the securities clearing and settlement rules from time to time in effect. In this regard, the Company shall waive the free-of-charge allocation rights corresponding to the shares of the Company that have been retired prior to the date of implementation of the corresponding Increase in Capital if said shares have not yet been removed from the book-entry registers of "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR) because the corresponding public instrument formalising the implementation of the resolution approving the reduction in capital has not yet been executed or is still pending registration.

The free-of-charge allocation rights shall be transferable upon the same terms as the shares from which they derive. The free-of-charge allocation rights may be traded on the market during such term as is established by the Board of Directors (with express power of substitution) in implementing the relevant Increase in Capital, which term shall not be less than fifteen calendar days. During such term, a sufficient number of free-of-charge allocation rights may be acquired on the market in the proportion required to receive New Shares. Notwithstanding the foregoing, the free-of-charge allocation rights acquired on the market during the trading period established for this purpose shall not give the acquiring party the right to choose to receive the corresponding Dividend (or, if applicable, to exercise the Purchase Commitment and receive the Fixed Purchase Price). Therefore, the new holders of these free-of-charge allocation rights may only monetise their investment through the sale thereof on the market during said trading period that has been activated for this purpose. Alternatively, they may choose to receive the newly-issued bonus shares to which they are entitled at the end of the aforementioned trading period.

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

- (a) receiving their remuneration in New Shares, in which case, at the end of the period for trading the free-of-charge allocation rights, they shall be allocated the New Shares to which they are entitled pursuant to the terms and conditions of the implementation of the Increase in Capital in question;
- (b) transferring all or part of their free-of-charge allocation rights on the market, in which case the consideration that the holders of the free-of-charge allocation rights will receive for the sale thereof will depend on the listing price of said rights; or

- (c) only during the Common Election Period determined by the Board of Directors (with express power of substitution), receiving their remuneration in cash by collecting the corresponding Dividend (or, if applicable, by collecting the Fixed Purchase Price), for which purpose the shareholders shall be required to make an express election in this regard. The shareholders may choose to receive their cash remuneration with respect to all or part of their shares.

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

As mentioned above, the free-of-charge allocation rights acquired on the market during the trading period established for this purpose shall not give the acquiring parties the right to choose to receive the Dividend (nor, if applicable, the Fixed Purchase Price). Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market during said trading period that has been activated for this purpose. Alternatively, they may choose to receive the newly-issued bonus shares to which they are entitled at the end of the aforementioned trading period.

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

Iberdrola assumes no liability for the choices made by the holders of the free-of-charge allocation rights (or for a failure to choose, if an express and valid communication is not received from said holders).

It is also stated for the record that the only period authorised for the holder of free-of-charge allocation rights to communicate to the entities with which their rights are deposited regarding the remuneration options is the Common Election Period, regardless of whether they are institutional or minority holders of rights. Iberdrola assumes no liability for a breach of this period by the depositaries (whether due to not accepting communications during a portion of the Common Election Period or for accepting them after the passage of said period, or for any other reason), for which reason any claim in this regard must be addressed by the shareholders or holders of free-of-charge allocation rights to the depositary in question.

Based on the response of the General Tax Authority (*Dirección General de Tributos*) (the "DGT") to a request for binding consultation submitted by the Company (the "Consultation")¹, it is possible that a portion of the free-of-charge allocation rights or of the shares issued in the Increase in Capital in favour of persons subject to the Corporate Income Tax or the Non-Resident Income Tax acting through a permanent establishment in Spain will be subject to some type of deduction or withholding by the Company to be able to make the payment on

¹ The Resolution of 5 March 2019 of the Accounting and Statutory Auditing Institute developing the standards for presentation of financial instruments and other accounting aspects relating to the commercial regulation of capital enterprises, which entered into force on 1 January 2020 (the "ICAC Resolution"), affects the accounting treatment of the delivery of free-of-charge allocation rights and of bonus shares. The new accounting treatment may affect the tax treatment of the "Iberdrola Flexible Remuneration" optional dividend system. For these purposes, the Company has submitted a Consultation to the DGT to clarify the potential impact of the ICAC Resolution on the "Iberdrola Flexible Remuneration" system.

account of any tax that must be applied to these shareholders by the Company. In any event, the Company shall duly report the details of any such deduction or withholding.

Notwithstanding the foregoing, and without prejudice to the Company using its best efforts to apply said deduction or withholding on the terms determined by the DGT (if any), if the deduction or withholding from the free-of-charge allocation rights or the bonus shares to make the payment on account of the corresponding tax cannot be made due to technical or other reasons, the Company shall assume no liability to the shareholders, holders of the free-of-charge allocation rights or any other third parties who might be affected by this circumstance.

4.3 Balance Sheet for the Transaction and Reserve with a Charge to which the Increases in Capital are Carried Out.

The balance sheet used as a basis for the two Increases in Capital is the one for the financial year ended 31 December 2019, duly audited and submitted to the shareholders for approval at this General Shareholders' Meeting under item number one on the agenda.

The Increases in Capital shall be entirely carried out with a charge to the reserves contemplated in section 303.1 of the *Companies Act*. When implementing each of the Increases in Capital, the Board of Directors, with express power of substitution, shall determine the reserve(s) to be used and the amount of such reserve(s) in accordance with the balance sheet used as a basis for the transaction.

4.4 Representation of the New Shares.

The New Shares will be represented by book entries, the book-entry registration of which is entrusted to "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR) and its member entities.

4.5 Rights Attaching to the New Shares.

As from the date on which the relevant Increase in Capital is declared to be subscribed and paid up, the New Shares shall grant the holders thereof the same financial, voting and like rights as the ordinary shares of the Company then outstanding.

4.6 Shares on Deposit.

Once the period for trading the free-of-charge allocation rights during each of the Increases in Capital has ended, the New Shares that could not be allocated for reasons not attributable to the Company shall be kept on deposit for those who provide evidence that they are the lawful holders of the corresponding free-of-charge allocation rights. Once three years have passed from the end of each of the periods for trading the free-of-charge allocation rights, the New Shares issued by virtue of the relevant Increase in Capital that are still pending allocation may be sold in accordance with the provisions of section 117 of the *Companies Act*, at the expense and peril of the interested parties. The cash amount from such sale shall be deposited with Banco de España or with Caja General de Depósitos at the disposal of the interested parties.

4.7 Application for Admission to Trading.

The Company shall make application for trading the New Shares to be issued as a consequence of each of the Increases in Capital on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (*Sistema de Interconexión Bursátil*) (Continuous Market), and shall carry out such acts and formalities as are required and submit the documents needed to the appropriate bodies for admission to

trading of the New Shares issued as a result of each of the approved Increases in Capital, with an express statement for the record of the Company's submission to the rules that may now or hereafter exist with respect to Stock Exchange matters, and especially regarding trading, continued trading and removal from trading on official markets.

Any subsequent request for removal from trading of the shares of the Company shall be adopted with the same formalities as those that apply to the application for trading and, in such event, the interests of the shareholders opposing or not voting on the resolution to remove shall be safeguarded, in compliance with the requirements set out in applicable law at such time.

5. Implementation of the "Iberdrola Flexible Remuneration" Optional Dividend System Implementations.

Within a period of one year from the date of approval of this resolution, the Board of Directors (with express power of substitution) may set the date on which each of the Implementations must be carried out and set the terms and conditions thereof as to all matters not provided for in this resolution (including, in particular, the Amount of the Option corresponding to each of the Implementations and the Supplementary Dividend).

Furthermore, it is expected that prior to 31 December 2020, the Board of Directors will determine the Interim Dividend to be paid for purposes of the Second Implementation as well as the other conditions applicable to the Interim Dividend, pursuant to the provisions of section 277 of the *Companies Act*. To this end, and in accordance with the provisions of section 161 of the *Companies Act*, the shareholders acting at this General Shareholders' Meeting hereby instruct the Board of Directors, if the requirements established in section 277 of the *Companies Act* are met, to approve the distribution of the Interim Dividend and set the terms and conditions applicable to the corresponding Dividend Payment, all in order to carry out the Second Implementation.

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

Specifically, the Board of Directors (with express power of substitution) shall analyse and take into account the market conditions, the circumstances of the Company itself or those deriving from an event that has social or financial significance for the Company, and if these or other factors make it inadvisable, in its opinion, to carry out one or both Implementations, it may refrain from doing so. In addition, the resolutions of the shareholders at this General Shareholders' Meeting relating to the Supplementary Dividend and to the Increases in Capital shall be deprived of any and all effect in the event that the Board of Directors does not exercise the powers delegated thereto or, in the case of the Second Implementation, does not approve the distribution of the Interim Dividend or honour the Purchase Commitment, within a period of one year from approval of the resolutions.

Once the period for trading the free-of-charge allocation rights corresponding to each of the Increases in Capital has ended, the following shall apply:

- (a) The New Shares shall be allocated to those who, according to the book-entry records maintained by "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR) and its participants, are the holders of free-of-charge allocation rights in the proportion resulting from section 4 above due to not having waived them upon the terms set forth above.

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

Likewise, once each of the periods for trading the free-of-charge allocation rights has ended, the Board of Directors (with express power of substitution) shall adopt the resolutions required to amend the *By-Laws* so that they reflect the new amount of the share capital and the number of shares resulting from the implementation of the relevant Increase in Capital, and to make application for trading of the resulting New Shares on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market).

6. Delegation to Carry Out Each of the Implementations.

In particular, and by way of example only, the following powers are delegated to the Board of Directors (with express power of substitution):

- (a) To set the date on which each of the Implementations must be carried out, which shall in any case be within a period of one year from the approval of this resolution, and to determine the specific schedule for each of the Implementations.
- (b) As regards each of the Implementations, to set the Amount of the Option, the amount of the Supplementary Dividend (in the case of the First Implementation), the number of New Shares and the number of free-of-charge allocation rights necessary for the allocation of one New Share, applying the rules established by this resolution for such purpose.
- (c) To determine the reserve(s), among those contemplated in this resolution, with a charge to which each of the Increases in Capital will be implemented.
- (d) To designate the company or companies that will assume the duties of agent and/or financial adviser in connection with each of the Implementations, and sign all required contracts and documents for such purpose. In particular, to appoint the entity that must act as paying agent in each of the Dividend Payments.
- (e) To set the duration of the periods for trading the free-of-charge allocation rights corresponding to each of the Increases in Capital.
- (f) As regards each of the Implementations, to set the specific duration of the Common Election Period and the terms and conditions under which the shareholders may state their preferences regarding the receipt of their remuneration (in cash or in New Shares).
- (g) After the Common Election Period for each Implementation has ended, to determine the aggregate gross amount in euros corresponding to the Dividend Payment in question and to make payment thereof through the participants in "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR).

- (h) To declare the Increases in Capital to be closed and implemented, for such purpose setting the number of New Shares actually allocated in each of them, and therefore the amount by which the Company's share capital must be increased in accordance with the rules established by the shareholders at this General Shareholders' Meeting, as well as declare, if applicable, the existence of an incomplete allocation of each of the Increases in Capital.
- (i) To rescind the resolution on distribution of the corresponding Dividend with respect to the amounts that were not distributed to those shareholders who elected (expressly or implicitly) to receive New Shares.
- (j) In the case of the First Implementation, to determine the aggregate total amount to be distributed as a dividend with a charge to the results for the financial year ended 31 December 2019 pursuant to the provisions of item number twelve on the agenda (i.e. the final amount of the Supplementary Dividend), to specify, in view of said amount, the amount of the total basis for distribution established in said item on the agenda to be allocated to remainder, and to complete the resulting proposed allocation of profits/losses and distribution of the dividend for financial year 2019.
- (k) In the case of the First Implementation and if the Board of Directors, with express power of substitution, does not deem it appropriate to implement the First Implementation, in whole or in part, during said period, to determine the aggregate total amount that has been distributed as a dividend with a charge to the results for the financial year ended 31 December 2019 (which shall be equal to the total amount paid on account of the dividend for said financial year), to specify the amount of the total basis for distribution established in said item on the agenda to be allocated to remainder, and to complete the resulting proposed allocation of profits/losses and distribution of the dividend for financial year 2019.
- (l) To amend the article of the *By-Laws* setting the share capital such that it reflects the amount of share capital and the number of outstanding shares resulting from the implementation of the relevant Increase in Capital.
- (m) To waive, if appropriate, and in each of the Increases in Capital, the free-of-charge allocation rights to subscribe New Shares for the sole purpose of facilitating that the number of New Shares be a whole number and not a fraction, as well as any free-of-charge allocation rights allocated to shares of the Company that have been retired prior to the date of implementation of the corresponding Increase in Capital if said shares have not yet been removed from the book-entry registers of "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR) because the corresponding public instrument formalising the implementation of the resolution approving the reduction in capital has not yet been executed or is still pending registration.
- (n) If the Purchase Commitment must be honoured within the framework of the Second Implementation due to the requirements of section 277 of the Companies Act for the distribution of the Interim Dividend not having been met, to determine the acquisition by the Company of the corresponding free-of-charge allocation rights, set the period of time during which the Purchase Commitment will be in effect (within the limits established in the resolutions), honour the Purchase Commitment by paying the corresponding amounts to the shareholders who have accepted said commitment, waive the free-of-charge allocation rights owned by the company at the end of the trading period of the Second Implementation as a result of the Purchase Commitment, and thus the New Shares corresponding to such rights, and take any other measures or actions needed to fully honour the Purchase Commitment.
- (o) To take all steps required for the New Shares to be included in the book-entry records of "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores,

S.A.U.” (IBERCLEAR) and admitted to trading on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges through the Automated Quotation System (Continuous Market) after each of the Increases in Capital.

- (p) To take any actions that are necessary or appropriate to implement and formalise each of the Increases in Capital before any Spanish or foreign public or private entities or agencies, including acts for purposes of representation, supplementation, or correction of defects or omissions that might prevent or hinder the full effectiveness of the foregoing resolutions.
- (q) In order to facilitate compliance by Iberdrola with the DGT’s answer to the Consultation or any changes that may be made subsequent to the adoption of this resolution in the tax rules applicable to the “Iberdrola Flexible Remuneration” optional dividend system, to approve and implement the mechanisms that are necessary or appropriate for these purposes, and particularly (without limitation):
 - (i) To deduct or withhold in any way a portion of the free-of-charge allocation rights or of the bonus shares deriving from the Increases in Capital such that the shareholders or holders of the free-of-charge allocation rights do not receive these rights or shares, as applicable.
 - (ii) To transfer the free-of-charge allocation rights deducted or withheld on the market in order to make the corresponding payment on account with the proceeds from the sale.
 - (iii) To transfer the shares deducted or withheld on the market in order to make the corresponding payment on account with the proceeds from the sale.
 - (iv) To acquire the free-of-charge allocation rights deriving from the Increases in Capital (including any that have been deducted or withheld) at a guaranteed fixed price (which must be calculated in accordance with the formula used to determine each of the Dividends (see section 4.1 above)) in order to monetise the rights that may be needed to make the corresponding payment on account.
 - (v) To approve and implement such technical or other mechanisms that “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) and the IBERCLEAR participants deem necessary or appropriate in order to make any corresponding payment on account.

7. Sample Calculation relating to the First Implementation.

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

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

Solely for the purposes of this example:

- The Amount of the Option is 1,435 million euros.
- The TNShrs. is 6,240,000,000².
- A ListPri of 11.035 euros is assumed (solely for the purposes of this example, the listing price of the Iberdrola shares at the closing of the trading session of 20 February 2020 has been used as a reference).

Therefore:

Provisional number of shares = Amount of the Option / ListPri	$1,435,000,000.00 / 11.035 = 130,040,779.3384690 = 130,040,779$ shares (rounded downwards)
Num. rights = TNShrs. / Provisional number of shares	$6,240,000,000 / 130,040,779 = 47.98494786008630 = 48$ rights (rounded upwards)
NNS = TNShrs. / Num. rights	$6,240,000,000 / 48 = 130,000,000$ shares
Dividend = ListPri / (Num. rights + 1)	$11.035 / (48 + 1) = 0.2252040816326530 = 0.225$ euros (rounded to the closest one-thousandth part of one euro)

Therefore:

- (i) The maximum number of shares to be issued in the First Implementation would be 130,000,000.
- (ii) The maximum nominal amount of the increase in capital submitted for approval of the shareholders at the General Shareholders' Meeting under item number thirteen on the agenda would be 97,500,000.00 euros (130,000,000 x 0.75).
- (iii) 48 free-of-charge allocation rights (or old shares) would be necessary for the allocation of one new share³.
- (iv) In this example, the Supplementary Dividend would be equal to 0.225 euro (gross) per share.

² For purposes of this example, it is assumed that this would be the total number of shares of the Company outstanding after the implementation of the reduction in capital provided for in the resolution corresponding to item number eight on the agenda if it is implemented in the total maximum amount thereof (i.e. 6,240,000,000 outstanding shares of the Company).

³ In this example, the Company (or an entity of its group that holds shares of the Company) would be required to waive 0 free-of-charge allocation rights corresponding to 0 own shares in order for the number of shares to be issued to be an integer.

ITEM NUMBER FIFTEEN ON THE AGENDA

Consultative vote regarding the *Annual Director Remuneration Report 2019*.

RESOLUTION

To approve, on a consultative basis, the *Annual Director Remuneration Report* for financial year 2019.

ITEM NUMBER SIXTEEN ON THE AGENDA

Strategic bonus for the professionals of the Iberdrola group linked to the Company's performance during the 2020-2022 period, to be paid through the delivery of shares.

RESOLUTION

To approve, pursuant to the provisions of section 219 of the *Companies Act* and article 48.4 of the *By-Laws* of IBERDROLA, S.A. (the "**Company**"), the establishment of a strategic bonus to be paid by means of the delivery of shares of the Company and directed to the executive directors, officers and other professionals of the Company and of its subsidiaries (the "**2020-2022 Strategic Bonus**"), in accordance with the following terms:

1. Description.

The 2020-2022 Strategic Bonus is configured as a long-term incentive tied to the Company's performance with respect to the Outlook 2018-2022 approved by the Board of Directors and any updates presented to investors (the "**Outlook**"). The Company's performance at 31 December 2022 will be evaluated based on the following financial, business and sustainable development parameters, which present a challenging scenario for a company that continues with its profitable growth, is financially sound and is committed to the Sustainable Development Goals:

- 1) Exceed the current Outlook. In view of the results for 2019, which is a noteworthy milestone in reaching the Outlook and in the investments planned for coming years, the objective for the Iberdrola group's consolidated net profit during financial year 2022 is set at €4,200 million, fully exceeding the range of €3,700 million - €3,900 million set in the Outlook. It will be deemed that this parameter is not met if consolidated net profit at year-end 2022 does not exceed the low range of the Outlook (€3,700 million).
- 2) Increase in total shareholder return during the 2020-2022 compared to total shareholder return for the Euro Stoxx Utilities Index. Although the increase in Iberdrola's share price has exceeded the benchmark index by 8.4 percentage points in 2019 and by 42 percentage points over the last five years, Iberdrola is setting a new objective to once again surpass the Euro Stoxx Utilities Index by 5 percentage points during the 2020-2022 period. It will be deemed that this parameter is not met if total shareholder return is at least 5 percentage points lower than that of the Euro Stoxx Utilities Index, even if in this scenario Iberdrola's total return by the end of the 2020-2022 period would exceed the return on such index by 15 percentage points over a 5-year period.
- 3) Improve financial strength measured through the FFO/net debt ratio. The object to be reached is set as a ratio at year-end 2022 of at least 22%, with this objective being deemed not to have been met if said ratio is less than that of year-end 2019.
- 4) Parameters relating to the Sustainable Development Goals ("**SDGs**").

- i. Reduction in intensity of the Iberdrola group's CO₂ emissions, with reference to SDG number 7 and 13. This parameter will be deemed to have been met if a level of 105 gr CO₂/kWh in average intensity of own emissions of CO₂ during the 2020-2022 period is met, taking into account a normal rainfall period. It will be deemed that this goal is not met if the intensity is not reduced on such terms to below the average levels for the period 2017-2019. This objective is an enormous challenge, as Iberdrola's emissions volume in 2019 was already 66% below that of comparable European companies and 10% below that of what other companies in the industry have set as their objective for 2030.
- ii. Increase the number of suppliers subject to sustainable development policies and standards, such as having: (i) a human rights strategy, (ii) a code of conduct for their suppliers, (iii) health and safety standards (SDG number 3), and (iv) a global environmental sustainability strategy, including strategies regarding water (SDG number 6), energy (SDG number 7) and biodiversity (SDG numbers 14 and 15).
- iii. An ambitious objective is set for at least 70% of the company's main suppliers (those billing Iberdrola with a volume of more than one million euros) being subject to these policies by 2022. It will also be deemed that this parameter is not met if the number is equal to that at year-end 2019, i.e. 50%, by year-end 2022.
- iv. End the wage gap between women and men at the Iberdrola group level by year-end 2022, in line with SDG number 5. It will be deemed that this parameter is not met if there is a wage gap of 2% or more between women and men.

The specific weight of each of these parameters in the overall evaluation of performance during the 2020-2022 period will be 30% for both the first and fourth parameters and 20% for the second and third parameters. Each of the indicators will contribute 10 percentage points in the fourth parameter.

2. Beneficiaries.

The 2020-2022 Strategic Bonus is intended for the executive directors, officers and other professionals of the Company and its group who, due to their position or their responsibility, are deemed to decisively contribute to the creation of value and are included in the 2020-2022 Strategic Bonus during the term thereof pursuant to the resolutions adopted by the Board of Directors in implementation thereof, with a maximum of 300 beneficiaries.

3. Amount.

The maximum number of shares to be delivered to the beneficiaries of the 2020-2022 Strategic Bonus as a whole shall be 14,000,000 shares, equal to 0.22% of the share capital at the time of adoption of this resolution, of which an estimated amount of 2,500,000 shares will correspond to executive directors at any particular time, equal to 0.04% of the share capital and representing 17.86% of the maximum number of shares to be delivered to all of the beneficiaries at the time of adoption of this resolution.

4. Term of the 2020-2022 Strategic Bonus.

The 2020-2022 Strategic Bonus has a term of six years, within which the period between financial years 2020 and 2022 shall be the performance level evaluation period with respect to the targets to which the 2020-2022 Strategic Bonus is linked and the period between financial years 2023 and 2025 shall be the payment period, with payment to be made by means of the delivery of shares on a deferred basis over such three-year period.

5. Evaluation, Payment, Cancellation and Reimbursement.

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

The reference parameters mentioned in said section are formulated based on the current situation and circumstances of the Company. In this connection, in order to engage in a proper overall evaluation of performance, any circumstances occurring after the approval of this 2020-2022 Strategic Bonus that have a material impact on the Outlook or on the main economic/financial and development variables of the Company (major change in the Outlook, corporate transactions, mergers, split-offs, acquisitions, extraordinary dividends, etc.) must be taken into account.

At the end of the evaluation period, the 2020-2022 Strategic Bonus shall accrue annually and in equal parts, during the first half of 2023 and during the first quarter of 2024 and 2025. Each annual accrual and the corresponding payment thereof must be approved by the Board of Directors, after a report from the Remuneration Committee. In this connection, during 2024 and 2025 and for each delivery of shares there will be an evaluation of whether to confirm or cancel, totally or partially, the payment corresponding to each financial year, and, if applicable, to claim the complete or partial reimbursement of the shares already delivered (or the amount thereof in cash) in the event of a material restatement of the financial statements on which the Board of Directors based the evaluation of the performance level, provided that said restatement is confirmed by the external auditors and is not due to a change in accounting rules.

Executive directors who are beneficiaries of the 2020-2022 Strategic Bonus may not transfer the shares delivered for a period of three years unless they are the direct or indirect owners of a number of shares equal to two times their annual fixed remuneration or unless the Board of Directors so authorises in exceptional circumstances.

6. Delegation of Powers.

To delegate to the Board of Directors, with express power of substitution, the powers necessary to implement, develop, formalise, execute and pay the 2020-2022 Strategic Bonus, adopting any resolutions and signing any public or private documents that may be necessary or appropriate for the full effectiveness thereof, including the power to correct, rectify, amend, or supplement this resolution. In particular, and by way of example only, the following powers are delegated to the Board of Directors, with express power of substitution:

- (a) To designate the beneficiaries of the 2020-2022 Strategic Bonus, whether at the time of the establishment thereof or subsequent thereto and determine the maximum number of shares allocated to each beneficiary.
- (b) To revoke, if and when appropriate, any designations or allocations of shares previously made.
- (c) To establish the terms and conditions of the 2020-2022 Strategic Bonus as to all matters not provided for in this resolution within the framework of the existing contracts with the beneficiaries, including, among other things, events of early payment.
- (d) To formalise and implement the 2020-2022 Strategic Bonus in the manner it deems appropriate, taking all actions required for the best implementation thereof.
- (e) To draft, sign and submit to any public or private entity any notices and documents, whether public or private, that may be necessary or appropriate for the implementation and execution of the 2020-2022 Strategic Bonus.
- (f) To take any action, make any statement or carry out any proceedings at any public or private body, entity or registry in order to obtain any authorisation or verification necessary to implement and execute the 2020-2022 Strategic Bonus.
- (g) If applicable, to designate the banking institution or institutions, depositaries or custodians that are to provide services to the Company in connection with the formalisation and administration of the 2020-2022 Strategic Bonus, and to negotiate, agree upon and sign the relevant contracts with the banking institution or institutions thus selected, as well as such other contracts or

agreements as may be appropriate with any other entities and, if applicable, with the beneficiaries, for the implementation and execution of the 2020-2022 Strategic Bonus, upon such terms and conditions as it deems appropriate.

- (h) To evaluate the level of performance with respect to the targets to which the 2020-2022 Strategic Bonus is tied and proceed with the payment thereof, for which purposes it may seek the advice of an independent expert, where appropriate.
- (i) And, in general, to perform all such acts and sign all such documents as may be necessary or appropriate for the validity, effectiveness, implementation, development, execution, payment and proper completion of the 2020-2022 Strategic Bonus.

Pursuant to the provisions of section 249.2 of the *Companies Act*, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.

ITEM NUMBER SEVENTEEN ON THE AGENDA

Appointment of Ms Nicola Mary Brewer as independent director.

RESOLUTION

To appoint Ms Nicola Mary Brewer as director, at the proposal of the Appointments Committee, for the bylaw-mandated four-year term, with the classification of independent director.

ITEM NUMBER EIGHTEEN ON THE AGENDA

Appointment of Ms Regina Helena Jorge Nunes as independent director.

RESOLUTION

To appoint Ms Regina Helena Jorge Nunes as director, at the proposal of the Appointments Committee, for the bylaw-mandated four-year term, with the classification of independent director.

ITEM NUMBER NINETEEN ON THE AGENDA

Re-election of Mr Íñigo Víctor de Oriol Ibarra as other external director.

RESOLUTION

To re-elect Mr Íñigo Víctor de Oriol Ibarra as director, after a report from the Appointments Committee, for the bylaw-mandated four-year term, with the classification of other external director.

ITEM NUMBER TWENTY ON THE AGENDA

Re-election of Ms Samantha Barber as independent director.

RESOLUTION

To re-elect Ms Samantha Barber as director, at the proposal of the Appointments Committee, for the bylaw-mandated four-year term, with the classification of independent director.

ITEM NUMBER TWENTY-ONE ON THE AGENDA

Setting of the number of members of the Board of Directors at fourteen.

RESOLUTION

To set the number of members of the Board of Directors at fourteen.

ITEM NUMBER TWENTY-TWO ON THE AGENDA

Authorisation to increase the share capital upon the terms and within the limits set out by law, with the power to exclude pre-emptive rights, limited to a maximum overall amount of 10% of the share capital.

RESOLUTION

To authorise the Board of Directors to increase the share capital on one or more occasions and at any time upon the terms and within the limits set out in section 297.1.b) of the *Companies Act*, i.e. within a term of five years from the date of approval of this resolution and by up to one-half of the current share capital.

Increases in share capital under this authorisation shall be carried out through the issuance and flotation of new shares –with or without a premium– the consideration for which shall be cash contributions.

In each increase, the Board of Directors shall decide whether the new shares to be issued are ordinary, preferred, redeemable, non-voting or any other kinds of shares among those permitted by law.

As to all matters not otherwise contemplated, the Board of Directors may establish the terms and conditions of the increases in share capital and the characteristics of the shares, and may also freely offer the new shares that are not subscribed for within the period or periods for the exercise of pre-emptive rights. The Board of Directors may also resolve that, in the event of incomplete subscription, the share capital shall be increased only by the amount of the subscriptions made, and amend the article of the *By-Laws* relating to share capital.

In connection with the increases in share capital that may be carried out under this authorisation, the Board of Directors is authorised to totally or partially exclude pre-emptive rights as permitted by section 506 of the *Companies Act*, provided, however, that such power shall be limited to increases in share capital carried out pursuant to this authorisation and to the authorisation contemplated in item number twenty-three on the agenda up to a maximum amount equal, in the aggregate, to 10% of the share capital on the date this resolution is adopted.

The Company shall, when appropriate, make application for the admission to trading of the shares issued under this authorisation on Spanish or foreign, official or unofficial, organised or other secondary markets, and the Board of Directors shall be authorised to carry out all acts and formalities that may be required for admission to listing with the appropriate authorities of the various Spanish or foreign securities markets.

Pursuant to the provisions of section 249.2 of the *Companies Act*, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.

ITEM NUMBER TWENTY-THREE ON THE AGENDA

Authorisation to issue debentures that are exchangeable for and/or convertible into shares and warrants in the amount of up to 5,000 million euros, for a term of five years, with the power to exclude pre-emptive rights, limited to a maximum overall amount of 10% of the share capital.

RESOLUTION

1. Authorisation to the Board of Directors to Issue Securities.

To authorise the Board of Directors to issue debentures and bonds exchangeable for shares of the Company or of any other company and/or convertible into shares of the Company, as well as warrants (options to subscribe for new shares of the Company or to acquire outstanding shares of the Company or of any other company).

2. Term.

The issuance of the securities covered by the authorisation may be effected on one or more occasions within a maximum period of five years following the date of approval of this resolution.

3. Maximum Amount.

The maximum total amount of the issuance(s) of securities approved under this authorisation shall be up to 5,000 million euros or the equivalent thereof in another currency. For purposes of calculation of the aforementioned limit, in the case of warrants, the sum of the premiums and exercise prices of the warrants on issuances approved under this authorisation shall be taken into account.

4. Scope.

For each issuance, the Board of Directors shall be authorised to, among other things, determine the amount thereof, always within the above-mentioned overall quantitative limit, the place of issuance (in Spain or abroad) and the domestic or foreign currency and, in the case of foreign currency, its equivalence in euros; the specific instrument to be issued, whether bonds or debentures, including subordinated bonds or debentures, warrants (which may in turn be settled by means of the physical delivery of the shares or, if applicable, through the payment of differences in price), or any other form permitted by law; the date or dates of issuance; the number of securities and the nominal value thereof, which, in the case of convertible and/or exchangeable bonds or debentures, shall not be less than the par value of the shares; in the case of warrants and similar securities, the issue price and/or premium, the exercise price (which may be fixed or variable) and the procedure, period and other terms and conditions applicable to the exercise of the right to subscribe for the underlying shares or, if applicable, the exclusion of such right; the interest rate (whether fixed or variable); the dates and procedures for payment of the coupon; whether the instrument issued is perpetual or subject to repayment and, in the latter case, the period for repayment and the maturity date or dates; guarantees, reimbursement rate, premiums and lots; the form of representation, as securities or book entries; the establishment of anti-dilution provisions; the rules applicable to subscription; the rank of the securities and the subordination clauses, if any; the law applicable to the issuance; the power to make application, where appropriate, for the trading of the securities to be issued on Spanish or foreign, official or unofficial, organised or other secondary markets, subject to the requirements established by applicable regulations in each case and, in general, any other terms of the issuance, as well as, if applicable, the appointment of the security-holders' syndicate representative (*comisario*) and the approval of the basic rules that are to govern the legal relations between the Company and the syndicate of holders of the securities to be issued in the event that such syndicate must or is decided to be created.

In addition, the Board of Directors is authorised such that, when it deems it appropriate and subject, if applicable, to any appropriate authorisations being secured and to the consent of security-holders coming together at a meeting of the corresponding syndicates of security-holders, it may modify the

terms and conditions applicable to the repayment of the fixed-income securities issued as well as the respective period thereof, and the rate of interest, if any, accrued by the securities included in each of the issues effected under this authorisation.

5. Basis for and Terms and Conditions Applicable to the Conversion and/or Exchange.

In the case of issuance of convertible and/or exchangeable debentures or bonds, and for purposes of determining the terms and conditions for conversion and/or exchange, it is resolved to establish the following standards:

- (a) The securities issued pursuant to this resolution shall be exchangeable for shares of the Company or of any other company and/or convertible into shares of the Company, in accordance with a fixed or variable conversion and/or exchange ratio determined or to be determined, with the Board of Directors being authorised to determine whether they are convertible and/or exchangeable, as well as to determine whether they are mandatorily or voluntarily convertible and/or exchangeable, and if voluntarily, at the option of the holder thereof or of the Company, at the intervals, and during the period established in the resolution providing for the issuance and which, without prejudice to perpetual issuances, may not exceed thirty years from the date of issuance.
- (b) In the event that the issue is convertible and/or exchangeable, the Board of Directors may also provide that the issuer reserves the right at any time to elect between conversion into new shares or the exchange thereof for outstanding shares of the Company, with the nature of the shares to be delivered being determined at the time of conversion or exchange, and may also elect to deliver a combination of newly-issued shares and existing shares of the Company and even to pay the difference in cash. In any event, the issuer shall afford equal treatment to all holders of fixed-income securities converting and/or exchanging their securities on the same date.
- (c) For purposes of the conversion and/or exchange, the securities shall be valued at the nominal amount thereof and the shares at the fixed exchange ratio established in the resolution of the Board of Directors making use of this authorisation, or at the variable ratio to be determined on the date or dates specified in the resolution of the Board, based on the listing price of the Company's shares on the date(s) or during the period(s) used as a reference in such resolution. In any event, the fixed ratio thus determined may not be less than the average exchange ratio for the shares on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market), in accordance with closing listing prices during a period to be set by the Board of Directors, which shall not be greater than three months or less than five calendar days prior to the date of approval by the Board of Directors of the resolution providing for the issuance of the fixed-income securities or prior to the date of payment of the securities by the subscribers, at a premium or at a discount, as the case may be, on such price per share, provided, however, that if a discount on the price per share is established, it shall not be greater than 25% of the value of the shares used as a reference as set forth above.
- (d) It may also be resolved that the convertible and/or exchangeable fixed-income securities be issued at a variable conversion and/or exchange ratio. In such case, the price of the shares for purposes of the conversion and/or exchange shall be the arithmetic mean of the closing prices of the shares of the Company on the Continuous Market during a period to be determined by the Board of Directors, which shall not be greater than three months or less than five calendar days prior to the date of conversion and/or exchange, at a premium or at a discount, as the case may be, on such price per share. The premium or discount may be different for each date of conversion and/or exchange of each issuance (or for each tranche of an issuance, if any), provided, however, that if a discount is established on the price per share, it shall not be greater than 25% of the value of the shares used as a reference as set forth above.

- (e) Whenever a conversion and/or exchange is admissible, any fractional shares to be delivered to the holder of the debentures or bonds shall be rounded downwards by default to the immediately lower integer, and each holder shall receive in cash, if so provided in the terms of issuance, any difference that may arise in such case.
- (f) In no event may the value of the shares for purposes of the ratio for conversion of debentures into shares be less than the par value thereof. Furthermore, debentures may not be converted into shares if the nominal value of the former is less than that of the latter.
- (g) When approving an issuance of convertible and/or exchangeable debentures or bonds under the authorisation granted in this resolution, the Board of Directors shall issue a directors' report, elaborating on and specifying, on the basis of the standards described above, the basis and terms and conditions for conversion and/or exchange that are specifically applicable to the respective issuance. This report shall be accompanied by the corresponding audit report as provided by law.

6. Basis for and Terms and Conditions Applicable to the Exercise of Warrants and Other Similar Securities.

In the case of issuance of warrants, it is resolved to establish the following standards:

- (a) In the case of issuances of warrants, to which the provisions of the *Companies Act* on convertible debentures shall apply by analogy, the Board of Directors is authorised to determine, in the broadest terms, in connection with the basis for and terms and conditions applicable to the exercise of such warrants, the standards applicable to the exercise of rights to subscribe for or acquire shares of the Company or of another company, or to a combination thereof, arising from the securities of this kind issued under this authorisation. The standards set forth in section 5 above shall apply to such issuances, with such adjustments as may be necessary in order to bring them into compliance with the legal and financial rules governing these kinds of securities.
- (b) The preceding standards shall apply, with any changes that may be required and to the extent applicable, to the issuance of fixed-income securities (or warrants) that are exchangeable for shares of other companies. Where appropriate, all references to the Spanish Stock Exchanges shall be deemed made to the markets, if any, on which the respective shares are listed.

7. Admission to Trading.

The Company shall, when appropriate, make application for the admission to trading of the convertible and/or exchangeable debentures and/or bonds or warrants issued by the Company under this authorisation on Spanish or foreign, official or unofficial, organised or other secondary markets, and the Board of Directors shall be authorised as broadly as required to carry out all acts and formalities that may be required for admission to listing with the appropriate authorities of the various Spanish or foreign securities markets.

It is expressly stated for the record that if application is subsequently made for delisting, it shall be made in compliance with the same formalities as the application for listing, to the extent any such formalities are required, and in such case, the interests of the shareholders or debenture-holders opposing or not voting in favour of the resolution shall be safeguarded as provided by applicable law.

In addition, it is expressly stated that the Company undertakes to abide by stock market regulations, whether now existing or as may hereafter be issued, particularly as regards trading, continued trading and removal from trading.

8. Guarantee in Support of Issuances of Convertible and/or Exchangeable Fixed-income Securities or Warrants by Subsidiaries.

The Board of Directors is also authorised to guarantee, on behalf of the Company and within the limits set forth above, new issuances of convertible and/or exchangeable fixed-income securities or warrants carried out by subsidiaries during the effective period of this resolution.

9. Delegation of Powers to the Board of Directors.

This authorisation to the Board of Directors also includes, without limitation, the delegation thereto of the following powers:

- (a) The power of the Board of Directors, pursuant to the provisions of section 511 of the *Companies Act*, to totally or partially exclude the pre-emptive rights of the shareholders. In any event, if the Board of Directors decides to exclude the pre-emptive rights of the shareholders in connection with any specific issuance of convertible bonds or debentures, warrants and other securities similar thereto that it ultimately decides to effect under this authorisation, the Board shall issue, at the time of approval of the issuance and pursuant to applicable laws and regulations, a report setting forth the specific reasons based on the corporate interest that justify such measure, on which there shall be prepared the corresponding report of a statutory auditor appointed by the Commercial Registry other than the Company's auditor, as mentioned in sections 414 and 511 of the *Companies Act*. Such reports shall be made available to the shareholders and disclosed at the first General Shareholders' Meeting that is held following approval of the resolution providing for the issuance.

This power shall in any event be limited to those increases in capital carried out pursuant to this authorisation and to the authorisation contemplated in item number twenty-two on the agenda up to a maximum amount equal, in the aggregate, to 10% of the share capital on the date of adoption of this resolution.

- (b) The power to increase share capital in the amount required to accommodate requests for conversion and/or for exercise of the right to subscribe for shares. Such power may only be exercised to the extent that the Board of Directors, adding the increase in capital effected to accommodate the issuance of convertible debentures, warrants and other similar securities and the other increases in capital approved under authorisations granted by the shareholders at this General Shareholders' Meeting, does not exceed the limit of one-half of the amount of the share capital provided by section 297.1.b) of the *Companies Act*. This authorisation to increase capital includes the authorisation to issue and float, on one or more occasions, the shares representing such capital that are necessary to carry out the conversion and/or to exercise the right to subscribe for shares, as well as the power to amend the article of the *By-Laws* relating to the amount of the share capital and, if appropriate, to cancel the portion of such increase in capital that was not required for the conversion and/or the exercise of the right to subscribe for shares.
- (c) The power to elaborate on and specify the basis for and terms and conditions applicable to the conversion, exchange and/or exercise of the rights to subscribe for and/or acquire shares arising from the securities to be issued, taking into account the standards set out in sections 5 and 6 above.

Pursuant to the provisions of section 249.2 of the *Companies Act*, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.

10. Revocation of Current Authorisation.

This resolution deprives of effect the authorisation to issue debentures or bonds that are exchangeable for and/or convertible into shares of the Company and warrants on newly-issued or

outstanding shares of the Company granted to the Board of Directors by the shareholders at the General Shareholders' Meeting held on 8 April 2016 under item eight on the agenda.

ITEM NUMBER TWENTY-FOUR ON THE AGENDA

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

RESOLUTION

Without prejudice to the powers delegated in the preceding resolutions, to jointly and severally authorise the Board of Directors, the Executive Committee, the chairman & CEO, and the secretary and the deputy secretary of the Board of Directors, such that any of them may:

- (a) Formalise and convert into public instruments the resolutions adopted by the shareholders at this General Shareholders' Meeting, further developing, clarifying, specifying, interpreting, completing and correcting them, carrying out such acts or legal transactions as may be necessary or appropriate for the implementation thereof, execute such public or private documents as they deem necessary or appropriate for the full effectiveness thereof, and correct all omissions, defects or errors, whether substantive or otherwise, that might prevent the recording thereof with the Commercial Registry.
- (b) Approve or vote in favour of the approval of the annual financial information for the financial year ended 31 December 2019 of the country subholding companies and other subsidiaries of IBERDROLA, S.A., which form part of the scope of consolidation of its annual accounts.
- (c) Deposit with the Commercial Registry the individual annual accounts of IBERDROLA, S.A. and the annual accounts thereof consolidated with those of its subsidiaries, as well as the corresponding management reports.
- (d) Formulate the restated text of the *By-Laws*, including the amendments approved at this General Shareholders' Meeting.
- (e) Formulate the restated text of the *Regulations for the General Shareholders' Meeting*, including the amendments approved at this General Shareholders' Meeting.
- (f) In the exercise of the powers vested therein by the Corporate Governance System, approve appropriate modifications of the other internal rules of the Company in order to conform the text thereof to the changes made to the *By-Laws* and to the *Regulations for the General Shareholders' Meeting*.
- (g) Resolve any questions regarding the interpretation of the *By-Laws* and the *Regulations for the General Shareholders' Meeting* as well as any other rule of the Company's Corporate Governance System.
- (h) Implement the resolution regarding the reduction in capital referred to in item number eight on the agenda, in accordance with the provisions of the *Shareholder Remuneration Policy*.
- (i) Implement the resolutions regarding shareholder remuneration referred to in items number twelve to fourteen on the agenda, in accordance with the provisions of the *Shareholder Remuneration Policy*.

- (j) Register with the Commercial Registry the resolutions regarding the composition of the Board of Directors referred to in item numbers seventeen to twenty-one of the agenda.
- (k) Manage the payment of the attendance bonus and decide on the payment thereof to the owners of shares not included in the list of attendees due to reasons beyond their control and, if in doubt, make the appropriate decisions to preserve the rights of the shareholders relating to the General Shareholders' Meeting.
- (l) In compliance with the provisions of article 16 of the *Regulations for the General Shareholders' Meeting*, donate the remaining promotional materials or symbolic gifts delivered to promote the maximum participation of the shareholders at the General Meeting to a non-profit organisation or use them for any other social-welfare purpose they deem appropriate.
- (m) In accordance with the provisions of the Company's *Sustainable Management Policy*, obtain and become aware of the opinion and expectations of the shareholders and other Stakeholders affected by the General Shareholders' Meeting regarding the organisation of the event and, if applicable, identify opportunities for improvement for the holding of subsequent meetings.
- (n) Determine all other circumstances that may be required, adopt and implement the necessary resolutions, publish the notices and provide the guarantees that may be appropriate for the purposes established by law, as well as formalise the required documents, carry out all necessary proceedings and comply with all requirements under the law for the full effectiveness of the resolutions adopted by the shareholders at this General Shareholders' Meeting.
- (o) Delegate all or any of the powers enumerated in this resolution and those expressly granted thereto by the shareholders at this General Shareholders' Meeting in the resolutions adopted under the foregoing items on the agenda, to the extent allowed by law, to the persons they deem appropriate.

In Bilbao, on 24 February 2020

General Shareholders' Meeting

2 April 2020

Report of the Board of Directors
Proposed Amendments of the *By-Laws*
Included in Items Number Six and
Seven on the Agenda



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IBERDROLA

REPORT OF THE BOARD OF DIRECTORS OF IBERDROLA, S.A. REGARDING THE PROPOSED AMENDMENTS OF THE *BY-LAWS* INCLUDED IN ITEMS NUMBER SIX AND SEVEN ON THE AGENDA FOR THE 2020 GENERAL SHAREHOLDERS' MEETING

1. Object of the Report.

This report has been prepared by the Board of Directors of IBERDROLA, S.A. ("**Iberdrola**" or the "**Company**") in order to provide a rationale for the proposed amendments of the *By-Laws* included in items number six and seven on the agenda.

Based on the distinct nature of the amendment of article 10 of the *By-Laws* proposed under item eight on the agenda, which is intended to reflect the amount of share capital resulting from the reduction thereof by means of the retirement of own shares, said proposed amendment is the subject of a separate report of the Board of Directors.

Pursuant to the provisions of section 286 of the *Companies Act (Ley de Sociedades de Capital)*, the Board of Directors has prepared this report setting out the purpose of and rationale for the proposed amendments of the *By-Laws* included in items number six and seven on the agenda, attaching said proposal below.

In addition, to help the shareholders compare the new text of the articles of the *By-Laws* proposed to be amended and the text currently in effect, attached to this report as an annex is a verbatim transcription of both texts organised in a two-column table, for information purposes. The text contained in the right-hand column shows the changes proposed to be made to the text currently in force, which is contained in the left-hand column.

2. Purpose of and Rationale for the Proposal.

The amendment of the *By-Laws* submitted for the approval of the shareholders at the General Shareholders' Meeting is mainly intended to strengthen Iberdrola's commitment to the social dividend and ethical values, updating the definitions of corporate interest and social dividend and strengthening the compliance function, for this purpose proposing the amendment of articles 6, 7, 8 and 17 of the *By-Laws*.

A detailed description of the rationale for the amendments affecting each of the by-law provisions is set forth in the sections below.

2.1 By-Law recognition of the link between the *Code of Ethics* and the corporate interest.

Article 6 of Iberdrola's *By-Laws* defines its corporate interest.

Iberdrola's current conception of the corporate interest is inseparable from the demand it makes upon itself for the highest ethical standards. In recent years, the Board of Directors has worked intensely on the enrichment of its *Code of Ethics*. It has steadily included new requirements therein, aligned it with best international practices, and extended its coverage beyond Iberdrola's directors and professionals to include its suppliers. In this way, Iberdrola has assumed leadership in the transmission of these principles throughout its entire value chain.

The last step in this process of continuous update, which is never finished, has been the unification of all of the ethical demands of the group within a common, modern *Code of Ethics* focused on the achievement of the United Nations Sustainable Development Goals (SDGs).

Together with the *Purpose and Values of the Iberdrola group*, the commitment to ethical values, and particularly to its *Code of Ethics*, it is now an element that defines and structures all facets of its business enterprise, and which will be the main assurance of the ethical and

responsible conduct of all persons who contribute to meeting the corporate object with their work and efforts.

Therefore, the Board of Directors believes that it is required to recognise the *Code of Ethics* as a key aspect in the formation of the corporate interest and to put it at the highest regulatory level within the Corporate Governance System by expressly recognising it within the *By-Laws*, for which purpose it proposes to amend article 6 thereof so that the *Code of Ethics*, together with the *Purpose and Values of the Iberdrola group*, will be a vector contributing to the achievement of the corporate interest upon the terms set out in the *By-Laws*.

2.2 Further development of the definition of the social dividend.

The by-law amendment submitted to the shareholders at the General Shareholders' Meeting also seeks to further develop and update the definition of the social dividend, as both an expression and the result of carrying out the activities included in the corporate object, with a special emphasis on Iberdrola's innovation and digital transformation strategy, which the Board of Directors considers to be essential in confronting the challenges of the coming decade, and which must be focused on the sustainable creation of value, in accordance with the *Purpose and Values of the Iberdrola group* and with the commitments made in its *Code of Ethics*.

As reflected in Iberdrola's *Innovation Policy*, the wager on innovation is a priority for ensuring sustainability, efficiency and competitiveness and to keep the Company at the forefront of developing new products, services and business models that are transforming the industry, with one of the foundations of the innovation strategy being the push for the digital transformation of its businesses to improve the operation and maintenance of its assets.

The amendment also highlights the fact that the activities performed by the Company to achieve its corporate object must be focused on the sustainable creation of value, which is how Iberdrola conceives of its corporate interest.

Furthermore, as a result of continuous reflection to advance in the commitment to the social dividend, it is proposed to reformulate and summarise the definition thereof, connecting it directly to the contribution of value of the activities performed by the Company, and particularly to the achievement of the Sustainable Development Goals (SDGs) approved by the United Nations.

As part of the review of the concept of social dividend, it is also proposed to link it to the statement of non-financial information, to be approved by the shareholders at the General Shareholders' Meeting, as a suitable document to reflect the direct, indirect or induced contribution of value of the Iberdrola group's activities for all Stakeholders.

It is proposed to amend articles 7 and 17 of the *By-Laws* in order to incorporate the issues described above, revising and further developing the definition of the social dividend.

2.3 By-law recognition of the Compliance System and of the Compliance Unit.

Iberdrola promotes a culture of "zero tolerance" towards corruption and fraud as it is aware that these are phenomena that stifle economic growth, weaken democracy and undermine social justice and the Rule of Law, causing serious harm to the economy and to society.

This culture takes form in the promotion of and demand for ethical and honest conduct at all levels of the organisation, in a commitment to continuously monitor and to punish fraudulent acts and conduct, and in the implementation and development of effective mechanisms to communicate with and raise the awareness of all professionals of the group.

The Iberdrola group thus has a robust and well-established Compliance System that ensures its conduct is in accordance with ethical principles and applicable law, preventing improper

conduct or conduct that is contrary to ethics, the law or the Corporate Governance System that might be committed by the professionals of the Company within the organisation.

This Compliance System, which is under continuous review to include the most advanced international practices in this area, is key to and fundamental for the Company being able to engage in the activities included in the corporate object while in compliance with the purpose and values of the group, which constitute its identity, its *raison d'être* and its corporate philosophy.

The Compliance Unit, linked to the Board of Directors' Sustainable Development Committee, is the body responsible for proactively ensuring the effective application of the Compliance System. It has the broadest powers, budgetary autonomy and independence of action to meet its goals.

The Board of Directors, aware of the importance of the Compliance System and of the Compliance Unit, which is the body responsible for the application and further development thereof, considers it appropriate to regulate both concepts within the foundational rules of the Company, thus giving them the highest regulatory support, and for this reason proposing the amendment of article 8 of the *By-Laws*.

3. **Layout of Proposed Amendments.**

To facilitate the proper exercise of voting rights by the shareholders, pursuant to the provisions of section 197 *bis* of the *Companies Act* and article 40.1 of the *Regulations for the General Shareholders' Meeting*, the amendments of articles 6, 7, 8 and 17 of the *By-Laws* are submitted for the approval of the shareholders at the General Shareholders' Meeting grouped into two separate blocks: on the one hand, it is proposed to amend articles 6, 7 and 17 to redefine the concepts of corporate interest and social dividend, and on the other, it is proposed to amend article 8 in order to give recognition in the *By-Laws* to the Compliance System and the Compliance Unit.

4. **Proposed Resolutions Submitted to the Shareholders at the General Shareholders' Meeting.**

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

“ITEM NUMBER SIX ON THE AGENDA

Amendment of articles 6, 7 and 17 of the By-Laws in order to redefine the concepts of corporate interest and social dividend.

RESOLUTION

Amendment of articles 6, 7 and 17 of the By-Laws in order to redefine the concepts of corporate interest and social dividend. Said articles shall hereafter read as follows:

“Article 6. Corporate Interest

The Company conceives of the corporate interest as the common interest of all persons owning shares 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 Purpose and Values of the Iberdrola group and with the commitments made in its Code of Ethics.”

“Article 7. Social Dividend

1. *The performance of the activities included in the corporate object, particularly the Company’s innovation and digital transformation strategy, must be focused on the sustainable creation of value, in accordance with the Purpose and Values of the Iberdrola group and with the commitments made in its Code of Ethics.*
2. *The Company conceives of the social dividend as the direct, indirect or induced contribution of value of its activities for all Stakeholders, particularly through its contribution to the achievement of the Sustainable Development Goals (SDGs) approved by the United Nations.*
3. *The statement of non-financial information formulated by the Board of Directors and approved by the shareholders at the General Shareholders’ Meeting presents the Company’s performance in the social, environmental and sustainability areas, as well as the social dividend generated and shared with its Stakeholders.*
4. *The Company shall promote the public dissemination of its non-financial information and of the social dividend generated, especially among its Stakeholders.”*

“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 approval of the statement of non-financial information.*
 - c) *The appointment, re-election and removal of directors, as well as the ratification of directors designated by interim appointment to fill vacancies.*
 - d) *The approval of the director remuneration policy.*
 - e) *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.*
 - f) *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.*
 - g) *The appointment, re-election and removal of the statutory auditors.*
 - h) *The amendment of these By-Laws.*
 - i) *An increase or reduction in share capital.*
 - j) *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.*

- k) *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.*
 - l) *The exclusion or limitation of pre-emptive rights.*
 - m) *The authorisation for the derivative acquisition of the Company's own shares.*
 - n) *The transformation, merger, split-off or overall assignment of assets and liabilities and the transfer of the registered office abroad.*
 - o) *The dissolution of the Company and the appointment and removal of the liquidators.*
 - p) *The approval of the final liquidating balance sheet.*
 - q) *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.*
 - r) *The exercise of derivative liability actions against directors, statutory auditors and liquidators.*
 - s) *The approval and amendment of the Regulations for the General Shareholders' Meeting.*
 - t) *The transfer to controlled entities of core activities that were previously carried out by the Company itself, while maintaining full control thereof.*
 - u) *The acquisition, transfer or contribution of key assets from or to another company.*
 - v) *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."*

ITEM NUMBER SEVEN ON THE AGENDA

Amendment of article 8 of the By-Laws in order to give recognition in the By-Laws to the Compliance System and to the Compliance Unit.

RESOLUTION

Amendment of article 8 of the By-Laws in order to give recognition in the By-Laws to the Compliance System and to the Compliance Unit. Said article shall hereafter read as follows:

“Article 8. Applicable Legal Provisions, Corporate Governance System and Compliance System

1. *The Company is governed by the legal provisions relating to listed companies and other applicable laws and regulations, as well as by its Corporate Governance System.*
2. *The Corporate Governance System is the Company’s internal system of rules, which is configured in accordance with applicable law in the exercise of corporate autonomy supported thereby and applies to the entire Group. It is intended to ensure through rule-making the best development of the corporate contract that binds its shareholders, and especially the corporate object, the corporate interest and the social dividend, as defined in the preceding articles.*
3. *The Company’s Corporate Governance System is made up of these By-Laws, the Purpose and Values of the Iberdrola group, the Code of Ethics, the corporate policies and the other governance and compliance rules.*
4. *The Purpose and Values of the Iberdrola group set out its raison d’être, the ideological and axiological foundation of its business enterprise, which, due to its size and the importance, is a focal point for many Stakeholders and for the economic and social environment in which its component entities do business.*
5. *The Purpose and Values of the Iberdrola group also 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 entities of the Group and guiding their strategy and all of their actions.*
6. *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.*
7. *Full or summarised versions of the rules making up the Corporate Governance System can be viewed on the Company’s corporate website.*
8. *The Company also has a Compliance System, consisting of a structured set of rules, procedures and activities intended to prevent and manage the risk of regulatory and ethical breaches or breaches of the Corporate Governance System itself, as well as to contribute to the full realisation of the Purpose and Values of the Iberdrola group and the corporate interest.*
9. *The application and further development of the Company’s compliance function and Compliance System is the responsibility of the Compliance Unit, an autonomous body linked to the Sustainable Development Committee of the Board of Directors.”*

In Bilbao, on 24 February 2020

ANNEX

<p>Article 6. Corporate Interest</p> <p>The Company conceives of the corporate interest as the common interest of all persons owning shares 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 <i>Purpose and Values of the Iberdrola group</i>.</p>	<p>Article 6. Corporate Interest</p> <p>The Company conceives of the corporate interest as the common interest of all persons owning shares 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 <u><i>Purpose and Values of the Iberdrola group and the commitments made in its Code of Ethics.</i></u></p>
<p>Article 7. Social Dividend</p> <p>1. The Company conceives of the social dividend as the sustainable creation of value for all Stakeholders affected by the activities of the Group, the advancement of business communities which the Company participates in and leads, both from the economic viewpoint and from the perspective of business ethics, the promotion of equality and justice, the encouragement of innovation and protection of the environment, as well as through the generation of quality employment and leadership in the fight against climate change.</p> <p>2. The social dividend measures the direct, indirect and induced impacts of all of the Company's activities in the economic, social and environmental areas, and particularly its contribution to the Sustainable Development Goals (SDGs) approved by the United Nations.</p>	<p>Article 7. Social Dividend</p> <p><u>1. <i>The performance of the activities included in the corporate object, particularly the Company's innovation and digital transformation strategy, must be focused on the sustainable creation of value, in accordance with the Purpose and Values of the Iberdrola group and with the commitments made in its Code of Ethics.</i></u></p> <p><u>2. 4.The Company conceives of the social dividend as the sustainable creation of value<u>direct, indirect or induced contribution of value of its activities</u> for all Stakeholders, —affected by the activities of the Group, the advancement of business communities which the Company participates in and leads, both from the economic viewpoint and from the perspective of business ethics, the promotion of equality and justice, the encouragement of innovation and protection of the environment, as well as through the generation of quality employment and leadership in the fight against climate change.2. The social dividend measures the direct, indirect and induced impacts of all of the Company's activities in the economic, social and environmental areas, and particularly its contribution to the <u>through</u> its contribution to <u>the achievement of</u> the Sustainable Development Goals (SDGs) approved</u></p>

<p>3. Through its sustainable development strategy, the Company causes all of its Stakeholders to participate in the social dividend generated by its activities, sharing the created value with them.</p>	<p>by the United Nations.</p> <p>3. Through its sustainable development strategy, the Company causes all of its Stakeholders to participate in the social dividend generated by its activities, sharing the created value with them. <u>The statement of non-financial information formulated by the Board of Directors and approved by the shareholders at the General Shareholders' Meeting presents the Company's performance in the social, environmental and sustainability areas, as well as the social dividend generated and shared with its Stakeholders.</u></p> <p><u>4. The Company shall promote the public dissemination of its non-financial information and of the social dividend generated, especially among its Stakeholders.</u></p>
<p>Article 8. Applicable Legal Provisions and Corporate Governance System</p> <p>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.</p> <p>2. The Corporate Governance System is the Company's internal system of rules, which is configured in accordance with applicable law in the exercise of corporate autonomy supported thereby and applies to the entire Group. It is intended to ensure through rule-making the best development of the corporate contract that binds its shareholders, and especially the corporate object, the corporate interest and the social dividend, as defined in the preceding articles.</p> <p>3. The Company's Corporate Governance System is made up of these <i>By-Laws</i>, the <i>Purpose and Values of the Iberdrola group</i>, the <i>Code of Ethics</i>, the corporate policies and the other governance and compliance rules.</p>	<p>Article 8. Applicable Legal Provisions and, Corporate Governance System <u>and Compliance System</u></p> <p>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.</p> <p>2. The Corporate Governance System is the Company's internal system of rules, which is configured in accordance with applicable law in the exercise of corporate autonomy supported thereby and applies to the entire Group. It is intended to ensure through rule-making the best development of the corporate contract that binds its shareholders, and especially the corporate object, the corporate interest and the social dividend, as defined in the preceding articles.</p> <p>3. The Company's Corporate Governance System is made up of these <i>By-Laws</i>, the <i>Purpose and Values of the Iberdrola group</i>, the <i>Code of Ethics</i>, the corporate policies and the other governance and compliance rules.</p>

<p>4. The <i>Purpose and Values of the Iberdrola group</i> set out its <i>raison d'être</i>, the ideological and axiological foundation of its business enterprise, which, due to its size and the importance, is a focal point for many Stakeholders and for the economic and social environment in which its component entities do business.</p> <p>5. The <i>Purpose and Values of the Iberdrola group</i> also 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 entities of the Group and guiding their strategy and all of their actions.</p> <p>6. 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.</p> <p>7. Full or summarised versions of the rules making up the Corporate Governance System can be viewed on the Company's corporate website.</p>	<p>4. The <i>Purpose and Values of the Iberdrola group</i> set out its <i>raison d'être</i>, the ideological and axiological foundation of its business enterprise, which, due to its size and the importance, is a focal point for many Stakeholders and for the economic and social environment in which its component entities do business.</p> <p>5. The <i>Purpose and Values of the Iberdrola group</i> also 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 entities of the Group and guiding their strategy and all of their actions.</p> <p>6. 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.</p> <p>7. Full or summarised versions of the rules making up the Corporate Governance System can be viewed on the Company's corporate website.</p> <p>8. <u>The Company also has a Compliance System, consisting of a structured set of rules, procedures and activities intended to prevent and manage the risk of regulatory and ethical breaches or breaches of the Corporate Governance System itself, as well as to contribute to the full realisation of the <i>Purpose and Values of the Iberdrola group</i> and the corporate interest.</u></p> <p>9. <u>The application and further development of the Company's compliance function and Compliance System is the responsibility of the Compliance Unit, an autonomous body linked to the Sustainable Development Committee of the Board of Directors.</u></p>
<p>Article 17. Powers of the Shareholders</p>	<p>Article 17. Powers of the Shareholders</p>

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 statutory 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

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 approval of the statement of non-financial information.](#)
 - ~~c) b)~~ The appointment, re-election and removal of directors, as well as the ratification of directors designated by interim appointment to fill vacancies.
 - ~~d) e)~~ The approval of the director remuneration policy.
 - ~~e) 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.
 - ~~f) 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.
 - ~~g) f)~~ The appointment, re-election and removal of the statutory auditors.
 - ~~h) g)~~ The amendment of these *By-Laws*.
 - ~~i) h)~~ An increase or reduction in share capital.
 - ~~j) i)~~ The delegation to the Board of Directors of the power to increase

<p>also grant thereto the power to exclude or limit pre-emptive rights, upon the terms established by law.</p> <p>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.</p> <p>k) The exclusion or limitation of pre-emptive rights.</p> <p>l) The authorisation for the derivative acquisition of the Company's own shares.</p> <p>m) The transformation, merger, split-off or overall assignment of assets and liabilities and the transfer of the registered office abroad.</p> <p>n) The dissolution of the Company and the appointment and removal of the liquidators.</p> <p>o) The approval of the final liquidating balance sheet.</p> <p>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</p>	<p>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.</p> <p><u>k</u>) 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.</p> <p><u>l</u>) k—The exclusion or limitation of pre-emptive rights.</p> <p><u>m</u>) l—The authorisation for the derivative acquisition of the Company's own shares.</p> <p><u>n</u>) m—The transformation, merger, split-off or overall assignment of assets and liabilities and the transfer of the registered office abroad.</p> <p><u>o</u>) n—The dissolution of the Company and the appointment and removal of the liquidators.</p> <p><u>p</u>) o—The approval of the final liquidating balance sheet.</p> <p><u>q</u>) 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</p>
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<p>established by law.</p> <p>q) The exercise of derivative liability actions against directors, statutory auditors and liquidators.</p> <p>r) The approval and amendment of the <i>Regulations for the General Shareholders' Meeting</i>.</p> <p>s) The transfer to controlled entities of core activities that were previously carried out by the Company itself, while maintaining full control thereof.</p> <p>t) The acquisition, transfer or contribution of key assets from or to another company.</p> <p>u) The approval of transactions having an effect equivalent to liquidation of the Company.</p> <p>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.</p>	<p>law.</p> <p><u>r)</u> q)—The exercise of derivative liability actions against directors, statutory auditors and liquidators.</p> <p><u>s)</u> r)—The approval and amendment of the <i>Regulations for the General Shareholders' Meeting</i>.</p> <p><u>t)</u> s)—The transfer to controlled entities of core activities that were previously carried out by the Company itself, while maintaining full control thereof.</p> <p><u>u)</u> t)—The acquisition, transfer or contribution of key assets from or to another company.</p> <p><u>v)</u> u)—The approval of transactions having an effect equivalent to liquidation of the Company.</p> <p>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.</p>
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General Shareholders' Meeting

2 April 2020

Report of the Board of Directors
Proposed Amendment of the *By-Laws*
Included in Item Number Eight on the
Agenda



REPORT OF THE BOARD OF DIRECTORS OF IBERDROLA, S.A. REGARDING THE PROPOSED AMENDMENT OF THE *BY-LAWS* IN ORDER TO REFLECT THE AMOUNT OF SHARE CAPITAL RESULTING FROM THE REDUCTION THEREOF BY MEANS OF THE RETIREMENT OF OWN SHARES INCLUDED IN ITEM NUMBER EIGHT ON THE AGENDA FOR THE 2020 GENERAL SHAREHOLDERS' MEETING

1. Object of the Report.

This report has been prepared by the Board of Directors of IBERDROLA, S.A. ("**Iberdrola**" or the "**Company**") pursuant to the provisions of sections 286 and 318 of the *Companies Act (Ley de Sociedades de Capital)*, in order to provide a rationale for the proposed amendment of the *By-Laws* consisting of reflecting the amount of share capital resulting from the reduction thereof by means of the retirement of own shares (the "**Reduction in Capital**"), the approval of which is proposed under item number eight on the agenda.

Pursuant to such sections of the *Companies Act*, to the extent that the Reduction in Capital necessarily entails the amendment of the article of the *By-Laws* setting the share capital, the Board of Directors has prepared this report setting forth the purpose of and rationale for the proposal being submitted to the shareholders at the General Shareholders' Meeting.

Based on the distinct nature of the amendments of the *By-Laws* proposed under items six and seven on the agenda, which are intended to re-define the concepts of corporate interest and social dividend as well as to give recognition in the *By-Laws* to the Compliance System and to the Company's Compliance Unit, these proposed amendments have been the subject of a joint but separate report of the Board of Directors.

2. Purpose of and Rationale for the Proposal.

Pursuant to the provisions of the *Shareholder Remuneration Policy*, the Company maintains a strategy for growth in such remuneration in line with the increase in results, with a pay-out of between 65% and 75% of net profits attributed to the Company in its consolidated annual accounts, which since 2018 has been implemented through the "Iberdrola Flexible Remuneration" optional dividend system, and which consists of the implementation of increases in capital by means of scrip issues, combined with the ability of the shareholders to decide to receive all or part of their remuneration in cash, choosing in this case to receive a dividend instead of receiving shares.

The issue of new shares as a result of said increases in capital by means of scrip issues is offset with reductions in capital –such as the one now proposed, and such as those that the Company has implemented each year since 2013– in order to maintain the number of outstanding shares of the Company at approximately 6,240 million.

This avoids dilution of the shareholders' equity interest and contributes to maintaining the profit per share of the Company, all of which benefits the shareholders.

Therefore, the Board of Directors has resolved to propose to the shareholders at the General Shareholders' Meeting a reduction in capital that offsets the effects of the increases in share capital by means of scrip issues approved by the shareholders at the General Shareholders' Meeting held

on 29 March 2019 under items number eight and nine on the agenda¹ and which were implemented in July 2019 and January 2020, respectively. If the Reduction in Capital is ultimately approved, it is provided that the Company's own shares in treasury will be retired, with a corresponding reduction in share capital by an amount equal to the nominal value of such shares, and that the number of outstanding shares will be established at the target figure of approximately 6,240 million.

A portion of such own shares are held in treasury as at 24 February 2020, while the rest of the shares to be retired will be acquired as a result of the settlement of the derivatives acquired by the Company prior to 24 February 2020 (the "**Derivatives**"), as well as within the framework of a share buy-back programme approved by the Board of Directors at its meeting of 24 February 2020 under (a) *Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and Commission Delegated Regulation (EU) No 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures*, and (b) the authorisation granted by the shareholders at the General Shareholders' Meeting held on 13 April 2018 under item twelve on the agenda.

3. Main Terms and Conditions of the Reduction in Capital

It is proposed to reduce the share capital by the amount resulting from the sum of:

- (i) 76,293,207.75 euros, through the retirement of 101,724,277 existing own shares held in treasury as at 24 February 2020, each with a nominal value of 0.75 euro, acquired under the authorisation granted by the shareholders at the General Shareholders' Meeting held on 13 April 2018 under item twelve on the agenda and within the limits established by section 146 and related provisions and section 509 of the *Companies Act* (the "**Existing Treasury Shares**"); and
- (ii) the aggregate nominal value, up to the maximum amount of 83,900,792.25 euros, of the own shares of the Company, each with a nominal value of 0.75 euro, up to a limit of 111,867,723 own shares (the "**Overall Limit**"), that are acquired for their retirement both through the settlement, no later than 12 June 2020, of the Derivatives, and under the programme for the buy-back of up to 111,867,723 own shares that will be in effect until no later than 12 June 2020 and that was approved by the Board of Directors on 24 February 2020 (the "**Buy-back Programme**"), under (a) the provisions of *Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and of Commission Delegated Regulation (EU) No 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures*, and (b) the authorisation granted by the shareholders at the General Shareholders' Meeting held on 13 April 2018 under item twelve on the agenda.

Consequently, the maximum amount of the Reduction in Capital would be 160,194,000 euros, through the retirement of a maximum of 213,592,000 own shares, each with a nominal value of 0.75 euro, representing not more than 3.31% of the share capital on the date of preparation of this report (said percentage likely being the same on the date of adoption of the resolution herein proposed to the shareholders at the General Shareholders' Meeting). If the resolution regarding the Reduction in Capital covered by this report is adopted, the final amount of the reduction would be set by the Company's Board of Directors (with express power of substitution) depending upon the final number

¹ And under the section entitled "*Common terms and conditions of the dividend distribution and increase in capital resolutions proposed under items seven, eight and nine on the agenda, pursuant to which the "Iberdrola Flexible Remuneration" optional dividend system is implemented*".

of shares acquired both by virtue of the settlement of the Derivatives and within the framework of the Buy-back Programme, provided they do not exceed the aforementioned Overall Limit. If the Overall Limit is exceeded, there will be a retirement of all of the shares acquired pursuant to the Buy-back Programme, as well as of the number of shares acquired as a result of the settlement of the Derivatives equal to the difference between the Overall Limit and the shares acquired in implementation of the Buy-back Programme. In this latter case, the remaining treasury shares acquired as a result of the settlement of the Derivatives will not be retired on occasion of the Reduction in Capital.

In addition, if the aforementioned resolution regarding the Reduction in Capital is approved and once the final amount of the reduction has been determined, article 10 of the *By-Laws* establishing the share capital would be amended such that it reflects the new amount of share capital and the new number of outstanding shares (after deducting the number of own shares proposed to be retired).

The Reduction in Capital would not entail a return of contributions because the Company itself is the holder of the retired shares and it would be carried out with a charge to unrestricted reserves by funding a retired capital reserve in an amount equal to the nominal value of the retired shares; such reserve could only be used by complying with the same requirements as those applicable to a reduction in share capital, as provided by section 335 c) of the *Companies Act*.

Therefore, in order to make the implementation as simple as possible, and under the provisions of section 335 c) of the *Companies Act*, creditors would not be entitled to assert the right of objection contemplated by section 334 of the *Companies Act*.

It is also proposed that the shareholders at the General Shareholders' Meeting ratify the acts performed to date by the Board of Directors in connection with the Buy-back Programme approved on 24 February 2020 and that they authorise the Board of Directors to implement the Reduction in Capital resolution (with express power of substitution) within a period not to exceed one month following the expiration of the Buy-back Programme, with authority to establish any terms that are not expressly set forth in the resolution approving the reduction or that are a consequence thereof and to approve the resolutions, publish the announcements, take the steps, and execute the public or private documents that may be required or appropriate for the successful implementation of the Reduction in Capital.

Specifically, it is proposed to authorise the Board of Directors (with express power of substitution) to take the steps and carry out the formalities required to cause the exclusion from trading of the retired shares from the Spanish Stock Exchanges and the removal thereof from the book-entry registers once the resolution regarding the Reduction in Capital has been implemented.

4. Proposed Resolution Submitted to the Shareholders at the General Shareholders' Meeting

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

“ITEM NUMBER EIGHT ON THE AGENDA

Amendment of article 10 of the By-Laws in order to reflect the amount of share capital resulting from the reduction thereof by means of the retirement of a maximum of 213,592,000 own shares (3.31% of the share capital).

RESOLUTION

- 1. Reduction in Capital by means of the Retirement of Both Currently Existing Own Shares Held in Treasury and of Own Shares to Be Acquired through the Settlement of Derivatives Acquired prior to the Formulation of this Proposed Resolution through a Buy-back Programme for the Retirement thereof.**

To reduce the share capital of IBERDROLA, S.A. (the “**Company**”) by the amount resulting from the sum of:

- i. 76,293,207.75 euros, through the retirement of 101,724,277 existing own shares held in treasury as at 24 February 2020, each with a nominal value of 0.75 euro, acquired under the authorisation granted by the shareholders at the General Shareholders’ Meeting held on 13 April 2018 under item twelve on the agenda and within the limits established by section 146 and related provisions and section 509 of the Companies Act (the “**Existing Treasury Shares**”); and*
- ii. the aggregate nominal value, up to the maximum amount of 83,900,792.25 euros, of the own shares of the Company, each with a nominal value of 0.75 euro, up to a limit of 111,867,723 own shares (the “**Overall Limit**”), that are acquired for their retirement both through the settlement, no later than 12 June 2020, of the derivatives acquired by the Company prior to 24 February 2020 (the “**Derivatives**”) and under the programme for the buy-back of up to 111,867,723 own shares that will be in effect until no later than 12 June 2020 and that was approved by the Board of Directors on 24 February 2020 (the “**Buy-back Programme**”), under (a) the provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and of Commission Delegated Regulation (EU) No 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures, and (b) the authorisation granted by the shareholders at the General Shareholders’ Meeting held on 13 April 2018 under item twelve on the agenda.*

Consequently, the maximum amount of the reduction in capital (the “**Reduction in Capital**”) shall be 160,194,000 euros, through the retirement of a maximum of 213,592,000 own shares, each with a nominal value of 0.75 euro, representing not more than 3.31% of the share capital at the time this resolution is approved.

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

Once the final figure of the Reduction in Capital has been determined, article 10 of the By-Laws setting the share capital will be amended such that it reflects the new amount of share capital and the new number of outstanding shares.

2. Procedure for Acquisition of the Shares that Will Be Retired under the Buy-back Programme.

Without prejudice to the Existing Treasury Shares, and in accordance with the resolution approved by the Board of Directors at its meeting of 24 February 2020, the Company may acquire a maximum number of 111,867,723 own shares by way of implementation of the Buy-back Programme for all of the shareholders and for their retirement, each of such own shares having a nominal value of 0.75 euro and representing a maximum of 1.733% of the share capital of the Company on the date of approval of this resolution, which number is within the legal limit and the limit provided for in the authorisation for the acquisition of own shares granted by the shareholders at the General Shareholders' Meeting held on 13 April 2018 under item twelve on the agenda.

As provided in the aforementioned resolution of the Board of Directors, the own shares shall be acquired subject to such terms as to price and volume as are established in article 5 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and in articles 2, 3 and 4 of Commission Delegated Regulation (EU) No 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures.

In accordance with the foregoing, pursuant to section 340.3 of the Companies Act, if the Company fails to acquire the maximum number of 111,867,723 own shares, each with a nominal value of 0.75 euro, both through the settlement, no later than 12 June 2020, of the Derivatives and under the Buy-back Programme, it shall be understood that the share capital is reduced by the sum of (i) the amount corresponding to the Existing Treasury Shares, and (ii) the amount corresponding to the sum of the shares effectively acquired within the framework of the Buy-back Programme and pursuant to the settlement of the Derivatives no later than 12 June 2020.

3. Procedure for the Reduction and Reserves with a Charge to which It Is Carried Out.

Pursuant to the provisions of section 342 of the Companies Act, the Reduction in Capital must be implemented within one month following the expiration of the Buy-back Programme.

The Reduction in Capital does not entail a return of contributions to the shareholders because the Company itself is the holder of the shares being retired, and it shall be carried out with a charge to unrestricted reserves by funding a retired capital reserve in an amount equal to the nominal value of the retired shares; such reserve may only be used by complying with the same requirements as those applicable to a reduction in share capital, as provided by section 335 c) of the Companies Act.

Therefore, in accordance with the provisions of such section, creditors of the Company will not be entitled to assert the right of objection contemplated by section 334 of the Companies Act in connection with the Reduction in Capital.

4. Ratification of the Resolutions of the Board of Directors.

To ratify the resolutions of the Board of Directors regarding the approval of the Buy-back Programme and the establishment of the terms and conditions thereof, including the determination of the maximum number of shares to be acquired within the framework and the effective period thereof, as well as to ratify the acts, statements and formalities carried out through the date hereof in connection with the public communication of the Buy-back Programme.

5. Delegation of Powers.

To delegate to the Board of Directors, with express power of substitution, the powers necessary to implement this resolution within a period not to exceed one month following the expiration of the Buy-back Programme, with authority to establish any terms that are not expressly set forth in this resolution or that are a consequence hereof. In particular, and by way of example only, the following powers are delegated to the Board of Directors, with express power of substitution:

- (a) To modify the maximum number of shares that may be bought back by the Company, within the limits set in this resolution and by law, as well as any other terms and conditions of the Buy-back Programme, all in accordance with the provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and in Commission Delegated Regulation (EU) No 2016/1052 of 8 March 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures.
- (b) To perform any acts, make any statements or take any steps that may be required in connection with the public communication of the Buy-back Programme and with the formalities, if any, that must be carried out at Spanish regulatory agencies and Stock Exchanges; negotiate, agree to and sign all contracts, agreements, commitments or instructions that may be necessary or appropriate for the successful completion of the Buy-back Programme.
- (c) To cause all announcements required by law to be published, acquire the shares under the Buy-back Programme and retire them within one month following the expiration of the Buy-back Programme, in accordance with the terms approved herein.
- (d) To declare the approved Reduction in Capital to be completed and implemented, establishing, for such purpose, the final number of shares that must be retired and, as a result, the amount by which the share capital of the Company must be reduced in accordance with the rules specified in this resolution.
- (e) To set the final amount of the Reduction in Capital based on the provisions of this resolution and establish any other terms that may be required to implement it, all in accordance with the terms and conditions set forth above.
- (f) To amend article 10 of the By-Laws setting the share capital such that it reflects the amount of share capital and the number of outstanding shares resulting from the implementation of the Reduction in Capital.
- (g) To take such steps and carry out such formalities as may be required and submit such documents as may be necessary to the competent bodies such that, once the shares of the Company have been retired and the notarial instrument for the Reduction in Capital has been executed and registered with the Commercial Registry, the retired shares are delisted from the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market), and they are removed from the corresponding book-entry records of "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR).
- (h) To perform all acts that may be necessary or appropriate to implement and formalise the Reduction in Capital before any Spanish or foreign public or private entities and agencies, including acts for purposes of representation, supplementation or correction of defects or omissions that might prevent or hinder the full effectiveness of the foregoing resolutions.

Pursuant to the provisions of section 249.2 of the Companies Act, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.”

In Bilbao, on 24 February 2020

General Shareholders' Meeting

2 April 2020

Report of the Board of Directors
Proposed Amendments of the *Regulations for the General Shareholders' Meeting*



REPORT OF THE BOARD OF DIRECTORS OF IBERDROLA, S.A. REGARDING THE PROPOSED AMENDMENTS OF THE *REGULATIONS FOR THE GENERAL SHAREHOLDERS' MEETING* INCLUDED IN ITEMS NUMBER NINE, TEN AND ELEVEN ON THE AGENDA FOR THE 2020 GENERAL SHAREHOLDERS' MEETING

1. Object of the Report.

This report has been prepared by the Board of Directors of IBERDROLA, S.A. ("**Iberdrola**" or the "**Company**") in order to provide a rationale for the proposed amendments of the *Regulations for the General Shareholders' Meeting* (the "**Regulations**") included in item numbers nine, ten and eleven on the agenda.

The Board of Directors has prepared this report setting forth the purpose of and rationale for each of the proposed amendments of the Regulations, attaching such proposed amendments below.

In addition, to help the shareholders compare the new text of the articles of the *Regulations* proposed to be amended and the text currently in effect, attached to this report as an annex is a verbatim transcription of both texts organised in a two-column table, for information purposes. The text contained in the right-hand column shows the changes proposed to be made to the text currently in force, which is contained in the left-hand column.

2. Purpose of and Rationale for the Proposals.

The amendment of the *Regulations* being submitted for the approval of the shareholders at the General Shareholders' Meeting is intended: (i) to give this body the power to approve the statement of non-financial information, for this purpose proposing the amendment of article 9 of the *Regulations*, (ii) to update the regulation of the right to receive information and the mechanisms for remote participation, for this purpose proposing the amendment of articles 14, 19 and 39, and (iii) to make various other technical improvements affecting articles 6, 7, 15, 16, 17, 22, 33 and 44 of the *Regulations*.

A detailed description of the rationale for the proposed amendments affecting each of the provisions is set forth in the sections below.

2.1 Attribution to the shareholders acting at a Meeting of the power to approve the statement of non-financial information.

The statement of non-financial information presents the Company's performance in the social, environmental and sustainability areas, providing a detailed report of the social dividend generated and shared with Iberdrola's Stakeholders.

Pursuant to the provisions of law, the statement of non-financial information prepared by the Board of Directors must be submitted for the approval of the shareholders at a General Shareholders' Meeting as a separate item on the agenda, a measure that Iberdrola already put into practice at the General Shareholders' Meeting held in 2019 and which favours transparency and the engagement of the shareholders in the Company's sustainable development strategy, which is reflected in said statement of non-financial information.

In this regard, the proposed amendment is intended to expressly give the shareholders at the General Shareholders' Meeting the power to approve it, thus completing the range of functions vested in this body as set out in article 9.

This amendment is also consistent with the change proposed within the framework of the amendment of the By-Laws submitted for the approval of the shareholders at the General Shareholders' Meeting under item number six on the agenda, which also provides for the

inclusion of the power to approve said statement of non-financial information within the By-Laws provision listing the powers of the shareholders.

2.2 Update of the right to receive information and of the mechanisms for remote participation.

Engagement of the shareholders in corporate life is one of the cornerstones of Iberdrola's corporate governance strategy.

For this purpose, during the last general meetings Iberdrola has made a tremendous effort to strengthen the information mechanisms and include new forms of remote participation, always seeking to encourage the informed participation of the largest number of shareholders possible at General Shareholders' Meetings.

In particular, the proposed reforms grouped in this second block are intended to reflect in the *Regulations* various improvements in the mechanisms for information and remote participation implemented at the latest General Shareholders' Meetings.

First, it is proposed to amend section 3 of article 14 of the *Regulations for the General Shareholders' Meeting* regarding the documentation that the Company must include on its corporate website after the publication of the announcement of the call to meeting for each ordinary General Meeting in order to allow for the Board of Directors to group the documentation into one or more reports (which allows for simplification and improvement of the system for making information available to the shareholders), as well as to update the list of documents, eliminating reference to the sustainability report, which is now the statement of non-financial information, the publication of which is now required by law as an integral part of the management report.

In this same article 14, it is also proposed to update the text of section 4 to conform it to that of section 3 with respect to the point in time at which an English version of the information and main documents relating to the General Shareholders' Meeting must be included on the corporate website.

As regards the channels of remote participation in the Meeting, the *Regulations* contemplated a broad array of measures for granting a proxy or casting an absentee vote and the ability of the Board of Directors to determine other alternative ways to favour the participation of the largest possible number of shareholders.

The proposed amendment of articles 19 and 39 seeks to update the list of the means of remote participation provided for in the *Regulations*, expressly contemplating certain channels that, in practice, are being fully used by the shareholders, like the grant of proxies or the casting of absentee votes through financial institutions in order for them to deliver the instructions received to the Company, as well as the use of instantaneous authentication systems implemented by Iberdrola on the corporate website. All of the foregoing is without prejudice to the ability of the Board of Directors to continue determining other means of remote communication to favour the participation of the largest possible number of shareholders in the Meeting, so long as they provide appropriate guarantees of authenticity and identification of the shareholder.

2.3 Introduction of other technical improvements.

The amendment of articles 6, 7, 15, 16, 17, 22, 33 and 44 of the *Regulations* seeks to make various technical improvements, clarifying the text and strengthening the systematic organisation of the document, including the following:

- a) in section 1 of article 6, the name and regulation of the shareholder's guide is adjusted to reflect that it may be made available to the shareholders in the medium deemed most appropriate at any time, including the virtual assistant, and in section 4, there is an

update to the name of the *Sustainable Management Policy* (previously called *Sustainability Policy*);

- b) in article 17, the regulation of the manner for authenticating the ownership of shares is updated and improved, reflecting the practice followed by the Company consisting of verifying the registration of the shares in the name of their holders with records provided by “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR);
- c) in article 22, the text is updated to conform it to the legal provisions on personal data protection after the entry into force of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 and Organic Law 3/2018, of 5 December, on the Protection of Personal Data and guarantee of digital rights;
- d) in article 33 there is express mention of the ability of the chair, or if applicable, the secretary, to project the data resulting from the list of attendees onto the screens of the place where the meeting is held instead of reading the data; and
- e) in article 44 the text is updated to eliminate reference to “significant events” (*hechos relevantes*) after the development by the CNMV of specific channels for sending, publishing and disseminating the information of issuers to comply with the legal provisions on market abuse.

3. Layout of Proposed Amendments.

To facilitate the proper exercise of voting rights by the shareholders, pursuant to the provisions of section 197 *bis* of the *Companies Act* and article 40.1 of the *Regulations*, the amendments of articles 6, 7, 9, 14, 15, 16, 17, 19, 22, 33, 39 and 44 of the *Regulations* are submitted for the approval of the shareholders at the General Shareholders' Meeting grouped into three separate blocks:

- a) In the first block, it is proposed to amend article 9 to give the shareholders acting at a General Shareholders' Meeting the power to approve the statement of non-financial information.
- b) The second block groups together the amendments affecting articles 14, 19 and 39, which are mainly intended to update the regulation of the right to receive information and the mechanisms for remote participation.
- c) The third and final block includes the proposed amendments of articles 6, 7, 15, 16, 17, 22, 33 and 44, which are intended to make a number of technical improvements of various kinds.

4. Proposed Resolutions Submitted to the Shareholders at the General Shareholders' Meeting.

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

“ITEM NUMBER NINE ON THE AGENDA

Amendment of article 9 of the Regulations for the General Shareholders' Meeting in order to give the shareholders acting at a Meeting the power to approve the statement of non-financial information.

RESOLUTION

Amendment of article 9 of the Regulations for the General Shareholders' Meeting in order to give the shareholders acting at a Meeting the power to approve the statement of non-financial information. Said article shall hereafter read as follows:

“Article 9. Powers

1. *The shareholders acting at a General Shareholders' Meeting shall decide the matters assigned thereto by law, the By-Laws, these Regulations or other rules of the Corporate Governance System, and particularly 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 approval of the statement of non-financial information.*
- c) *The allocation of profits/losses.*
- d) *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 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.*
- 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 the statutory auditors:

- a) *The appointment, re-election and removal of the statutory auditors.*
- b) *The exercise of derivative liability actions against the statutory 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."*

ITEM NUMBER TEN ON THE AGENDA

Amendment of articles 14, 19 and 39 of the Regulations for the General Shareholders' Meeting in order to update the regulation of the right to receive information and the mechanisms for remote participation.

RESOLUTION

Amendment of articles 14, 19 and 39 of the Regulations for the General Shareholders' Meeting in order to update the regulation of the right to receive information and the mechanisms for remote participation. Said articles shall hereafter read as follows:

"Article 14. Corporate Website

1. *The Company shall use its corporate website to promote the informed participation of all shareholders in the General Shareholders' Meeting and to facilitate the exercise of their rights related thereto.*
2. *From the date of publication of the announcement of the call to meeting through the date of holding of the General Shareholders' Meeting in question, the Company shall continuously publish on its corporate website in electronic format and in an organised and environmentally-friendly manner, such information as is required by law or deemed appropriate to facilitate and promote the attendance and participation of the shareholders at the General Shareholders' Meeting, including in any case the following:*
 - a) *The announcement of the call to the General Shareholders' Meeting.*
 - b) *The total number of shares and voting rights existing on the date of the announcement of the call to meeting, broken down by classes of shares, if any.*
 - c) *Such documents relating to the General Shareholders' Meeting as are required by law, including the reports of directors, the statutory 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.*
3. *Furthermore, after the publication of the announcement of the call to the Ordinary General Shareholders' Meeting, the Company shall include on its corporate website the following documentation, which the Board of Directors may group into one or more reports:*
- a) *The report on the independence of the statutory auditor prepared by the Audit and Risk Supervision Committee.*
 - b) *The related-party transactions report prepared by the Appointments Committee.*
 - c) *The activities report of the Board of Directors and of the Committees thereof:*
 - d) *The integrated report.*
 - e) *Any other reports determined by the Board of Directors.*
4. *After the publication of the announcement of the call to meeting, the Company shall use its best efforts to include in its corporate website an English version of the information and the principal documents related to the General Shareholders' Meeting. In the event of a discrepancy between the Spanish and English versions, the former shall prevail.*
5. *Pursuant to the provisions of applicable legislation, an Electronic Shareholders' Forum shall be enabled on the Company's corporate website on occasion of the call to the General Shareholders' Meeting. Duly verified shareholders and shareholder groups may access the Electronic Shareholders' Forum, the use of which shall conform to its legal purpose and to the assurances and rules of operation established by the Company."*

"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) *Through the financial institutions that are intermediaries, managers and depositaries in which their shares are deposited, in order for said institutions to in turn cause the instructions received to be delivered to the Company.*

- b) *Through the proxy form available on the Company's corporate website, using the instantaneous authentication systems implemented by the Company, 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.

- c) *Advance delivery of the attendance, proxy and absentee voting card or any other means of verifying the grant of a proxy that is accepted by the Company at the premises provided by the Company on the days announced on the Company's corporate website.*
- d) *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.*
- e) *By any other means of remote communication that the Board of Directors determines to favour the participation of the largest possible number of shareholders, provided that notice thereof is given on the corporate website at the time of publishing the announcement of the call to meeting, that it provides sufficient guarantees of the authenticity and identification of the shareholder granting the proxy, and, if appropriate, that it duly ensures the security of the electronic communications.*
3. *A proxy granted by any of the means indicated in the preceding section must be received by the Company before 24:00 on the day immediately prior to the day on which the General Shareholders' Meeting is held upon first call or upon second call, as applicable.*
4. *The Board of Directors is authorised to further develop the foregoing provisions by establishing rules, means and procedures adjusted to current techniques in order to organise the 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 systematise, further develop, adapt and specify the provisions of the Corporate Governance System regarding the management of the General Shareholders' Meeting.

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

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

1. *Shareholders may cast their absentee vote regarding proposals relating to the items included in the agenda of the call to meeting by the means indicated in section 2 of article 19 above. 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 duly completed and signed 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.*
3. *Votes through the form available on the corporate website shall be cast using the means referred to in letter b) of article 19.2 above.*
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 for the holding of the General Shareholders' Meeting upon first call or 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 and the instantaneous authentication system for granting proxies and casting votes electronically or by other valid means of long-distance communication. It may also reduce the advance period established in section 4 above for receipt by the Company of absentee votes and proxies granted by postal or electronic correspondence, and accept and authorise the chair of and the secretary for the General Shareholders' Meeting and the persons acting by delegation therefrom to accept, absentee votes and proxies received after such period, to the extent permitted by the means available.

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

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

ITEM NUMBER ELEVEN ON THE AGENDA

Amendment of articles 6, 7, 15, 16, 17, 22, 33 and 44 of the Regulations for the General Shareholders' Meeting in order to make technical improvements.

RESOLUTION

Amendment of articles 6, 7, 15, 16, 17, 22, 33 and 44 of the Regulations for the General Shareholders' Meeting in order to make various technical improvements. Said articles shall hereafter read as follows:

"Article 6. Guide, Rules of Implementation and Management Framework for the General Shareholders' Meeting.

- 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 may make available thereto a guide, in the medium it deems appropriate (including a virtual assistant), in order to clearly explain the most significant aspects regarding the operation of the General Shareholders' Meeting and the procedures established for the exercise of their rights thereat.*
- 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 Sustainable Management Policy, the Company shall endeavour to ensure that all actions relating to the organisation of the General Shareholders' Meeting comply with the best sustainable management practices."*

“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 or in blank, abstain from voting or lack the right to vote, without prejudice to the rights they may have to challenge such resolutions.”*

“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 transmission 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 b) 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 shareholder, 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 sections 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 available 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.”*

“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 or gifts may 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.*
3. *The Company shall verify compliance with this requirement by consulting the data provided for this purpose by “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) or by another valid means.”*

“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, on the legal basis of the Company's legitimate interest in complying with best transparency practices. A data subject shall have the rights of access, rectification, objection, erasure and restriction of processing of the data collected by the Company on the terms established by law by sending a letter addressed to the registered office or to the Office of the Shareholder (the postal address of which shall be provided by the Company for each Meeting) and at the e-mail address established by the Company for each Meeting. The data subject may also request more detailed information regarding the Company's privacy policy at the postal and electronic addresses indicated above.*
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 33. Establishment of a 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 the shares in attendance at the meeting, with an indication of the share capital that such shares represent. The chair, or if applicable, the secretary, may project the data resulting from the list of attendees onto the screens of the place where the meeting is held instead of reading the data.*
2. *The chair of the General Shareholders' Meeting shall then, 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 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 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."*

In Bilbao, on 24 February 2020

ANNEX

<p>Article 6. Shareholder's Guide, Rules of Implementation and Management Framework for the General Shareholders' Meeting</p> <ol style="list-style-type: none"> 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 may make available thereto a <i>Shareholder's Guide</i> 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 <i>Sustainability Policy</i>, 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. 	<p>Article 6. Shareholder's—Guide, Rules of Implementation and Management Framework for the General Shareholders' Meeting</p> <ol style="list-style-type: none"> 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 may make available thereto a <i>Shareholder's Guide</i> that clearly explains<u>guide, in the medium it deems appropriate (including a virtual assistant), in order to clearly</u> explain the most significant aspects regarding the operation <u>of the General Shareholders' Meeting</u> and the procedures established for the exercise of their rights at the General Shareholders' Meeting<u>thereat</u>. 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 <i>Sustainability</i>—<u><i>Sustainable Management Policy</i></u>, the Company shall endeavour to ensure that all actions relating to the organisation of the General Shareholders' Meeting comply with best practices in this area<u>the best sustainable management practices</u>.
<p>Article 7. Function</p> <ol style="list-style-type: none"> 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 	<p>Article 7. Function</p> <ol style="list-style-type: none"> 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

<p>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.</p> <p>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.</p>	<p>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.</p> <p>2. Decisions of the shareholders at a General Shareholders' Meeting bind all shareholders, including shareholders who are absent, vote against <u>or in blank</u>, abstain from voting, vote in blank or lack the right to vote, without prejudice to the rights they may have to challenge such resolutions.</p>
<p>Article 9. Powers</p> <p>1. The shareholders acting at a General Shareholders' Meeting shall decide the matters assigned thereto by law, the <i>By-Laws</i> or these <i>Regulations</i>, and in any case regarding the following:</p> <p>A. With respect to the Board of Directors and the directors:</p> <p>a) The appointment, re-election and removal of directors, as well as the ratification of directors designated by interim appointment to fill vacancies.</p> <p>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.</p> <p>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.</p> <p>d) The exercise of derivative liability actions against directors.</p> <p>B. With respect to the annual accounts and corporate management:</p>	<p>Article 9. Powers</p> <p>1. The shareholders acting at a General Shareholders' Meeting shall decide the matters assigned thereto by law, the <i>By-Laws</i> or, these <i>Regulations</i>, and in any case <u>or other rules of the Corporate Governance System, and particularly</u> regarding the following:</p> <p>A. With respect to the Board of Directors and the directors:</p> <p>a) The appointment, re-election and removal of directors, as well as the ratification of directors designated by interim appointment to fill vacancies.</p> <p>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.</p> <p>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.</p> <p>d) The exercise of derivative liability actions against directors.</p> <p>B. With respect to the annual accounts and corporate management:</p>

<p>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.</p> <p>b) The allocation of profits/losses.</p> <p>c) The approval of corporate management.</p> <p>C. With respect to amendments to the Corporate Governance System:</p> <p>a) The amendment of the <i>By-Laws</i>.</p> <p>b) The approval and amendment of these <i>Regulations</i>.</p> <p>c) The approval of the director remuneration policy upon the terms provided by law.</p> <p>D. With respect to an increase or reduction in share capital, acquisition of own shares, and issue of debentures:</p> <p>a) An increase or reduction in share capital.</p> <p>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.</p> <p>c) 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</p>	<p>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.</p> <p>b) The approval of the statement of non-financial information.</p> <p>c) b) the allocation of profits/losses.</p> <p>d) e) the approval of corporate management.</p> <p>C. With respect to amendments to the Corporate Governance System:</p> <p>a) The amendment of the <i>By-Laws</i>.</p> <p>b) The approval and amendment of these <i>Regulations</i>.</p> <p>c) The approval of the director remuneration policy upon the terms provided by law.</p> <p>D. With respect to an increase or reduction in share capital, acquisition of own shares and issue of debentures:</p> <p>a) An increase or reduction in share capital.</p> <p>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.</p> <p>c) 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</p>
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<p>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.</p> <p>d) The exclusion or limitation of pre-emptive rights.</p> <p>e) The authorisation for the derivative acquisition of the Company's own shares.</p> <p>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.</p> <p>E. With respect to structural changes of the Company and functionally similar operations:</p> <p>a) The transformation of the Company</p> <p>b) The merger or split-off of the Company upon the terms provided by law.</p> <p>c) The overall assignment of assets and liabilities.</p> <p>d) The transfer of the registered office abroad.</p> <p>e) The transfer to controlled entities of core activities that were previously carried out by the Company itself, while maintaining full control thereof.</p> <p>f) The acquisition, transfer or contribution of key assets from or to another company.</p> <p>F. With respect to statutory auditors:</p> <p>a) The appointment, re-election and removal of the statutory auditors.</p> <p>b) The exercise of derivative liability actions against the statutory auditors.</p> <p>G. With respect to the dissolution and liquidation of the Company:</p> <p>a) The dissolution of the Company.</p> <p>b) The appointment and removal of the liquidators.</p> <p>c) The approval of the final liquidating</p>	<p>thereon to the shareholders at the first General Shareholders' Meeting held after the end of the period granted for the use of such delegation.</p> <p>d) The exclusion or limitation of pre-emptive rights.</p> <p>e) The authorisation for the derivative acquisition of the Company's own shares.</p> <p>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.</p> <p>E. With respect to structural changes of the Company and functionally similar operations:</p> <p>a) The transformation of the Company</p> <p>b) The merger or split-off of the Company upon the terms provided by law.</p> <p>c) The overall assignment of assets and liabilities.</p> <p>d) The transfer of the registered office abroad.</p> <p>e) The transfer to controlled entities of core activities that were previously carried out by the Company itself, while maintaining full control thereof.</p> <p>f) The acquisition, transfer or contribution of key assets from or to another company.</p> <p>F. With respect to statutory auditors:</p> <p>a) The appointment, re-election and removal of the statutory auditors.</p> <p>b) The exercise of derivative liability actions against the statutory auditors.</p> <p>G. With respect to the dissolution and liquidation of the Company:</p> <p>a) The dissolution of the Company.</p> <p>b) The appointment and removal of the liquidators.</p> <p>c) The approval of the final liquidating balance sheet.</p>
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<p>balance sheet.</p> <p>d) The exercise of derivative liability actions against the liquidators.</p> <p>e) The approval of transactions having an effect equivalent to liquidation of the Company.</p> <p>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.</p> <p>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.</p>	<p>d) The exercise of derivative liability actions against the liquidators.</p> <p>e) The approval of transactions having an effect equivalent to liquidation of the Company.</p> <p>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.</p> <p>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.</p>
<p>Article 14. Corporate Website</p> <p>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.</p> <p>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:</p> <p>a) The announcement of the call to the General Shareholders' Meeting.</p> <p>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</p>	<p>Article 14. Corporate Website</p> <p>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.</p> <p>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:</p> <p>a) The announcement of the call to the General Shareholders' Meeting.</p> <p>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</p>

<p>shares, if any.</p> <p>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.</p> <p>d) In the event that the shareholders acting at a General Shareholders' Meeting must deliberate on the appointment, re-election or ratification of directors, the corresponding proposed resolution shall be accompanied by the following information: professional profile and biographical data of the director; other boards of directors on which the director holds office, at listed companies or otherwise; type of director such person is or should be, with mention, in the case of proprietary directors, of the shareholder that proposes or proposed the appointment thereof or who the director represents or with which the director maintains ties; date of the director's first and any subsequent appointments as director of the Company; shares of the Company and derivative financial instruments whose underlying assets are shares of the Company of which such director is the holder; the report prepared by the Board of Directors and the proposal of the Appointments Committee in the case of independent directors, and the report of the Committee in other cases.</p> <p>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</p>	<p>shares, if any.</p> <p>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.</p> <p>d) In the event that the shareholders acting at a General Shareholders' Meeting must deliberate on the appointment, re-election or ratification of directors, the corresponding proposed resolution shall be accompanied by the following information: professional profile and biographical data of the director; other boards of directors on which the director holds office, at listed companies or otherwise; type of director such person is or should be, with mention, in the case of proprietary directors, of the shareholder that proposes or proposed the appointment thereof or who the director represents or with which the director maintains ties; date of the director's first and any subsequent appointments as director of the Company; shares of the Company and derivative financial instruments whose underlying assets are shares of the Company of which such director is the holder; the report prepared by the Board of Directors and the proposal of the Appointments Committee in the case of independent directors, and the report of the Committee in other cases.</p> <p>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</p>
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<p>requests.</p> <p>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.</p> <p>3. Furthermore, after the publication of the announcement of the call to the Ordinary General Shareholders' Meeting, the Company shall publish the following documentation on its corporate website:</p> <p>a) The integrated report, the sustainability report and any other reports determined by the Board of Directors.</p> <p>b) The report on the independence of the statutory auditor prepared by the Audit and Risk Supervision Committee.</p> <p>c) The related-party transactions report prepared by the Appointments Committee.</p> <p>d) The Activities Report of the Board of Directors and of the Committees thereof.</p> <p>4. The Company shall use its best efforts to include in its corporate website, beginning on the date of the announcement of the call to meeting, an English version of the information and the principal documents related to the General Shareholders' Meeting. In the event of a discrepancy between the Spanish and English versions, the former shall prevail.</p> <p>5. Pursuant to the provisions of applicable legislation, an Electronic Shareholders' Forum shall be enabled on the Company's corporate website on occasion of the call to the General Shareholders' Meeting. Duly verified shareholders and shareholder</p>	<p>requests.</p> <p>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.</p> <p>3. Furthermore, after the publication of the announcement of the call to the Ordinary General Shareholders' Meeting, the Company shall publish<u>include</u> on its corporate website the following documentation:a) — The integrated report, the sustainability report and any other reports, which the Board of Directors determines.<u>may group into one or more reports:</u></p> <p>a) b) the report on the independence of the statutory auditor prepared by the Audit and Risk Supervision Committee.</p> <p>b) c) The related-party transactions report prepared by the Appointments Committee.</p> <p>c) d) The activities report of the Board of Directors and of the Committees thereof.</p> <p>d) <u>The integrated report.</u></p> <p>e) <u>Any other reports determined by the Board of Directors.</u></p> <p>4. <u>After the publication of the announcement of the call to meeting,</u> The the Company shall use its best efforts to include in its corporate website, beginning on the date of the announcement of the call to meeting, an English version of the information and the principal documents related to the General Shareholders' Meeting. In the event of a discrepancy between the Spanish and English versions, the former shall prevail.</p> <p>5. Pursuant to the provisions of applicable legislation, an Electronic Shareholders' Forum shall be enabled on the Company's corporate website on occasion of the call to the General Shareholders' Meeting. Duly verified shareholders and shareholder groups may access the Electronic</p>
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<p>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.</p>	<p>Shareholders' Forum, the use of which shall conform to its legal purpose and to the assurances and rules of operation established by the Company.</p>
<p>Article 15. Requests for Information Prior to the General Shareholders' Meeting</p> <ol style="list-style-type: none"> 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 transmission sent to the address specified in the announcement of the call to meeting or, in the absence thereof, to the Office of the Shareholder (<i>Oficina del Accionista</i>). 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 shareholder, 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 	<p>Article 15. Requests for Information Prior to the General Shareholders' Meeting</p> <ol style="list-style-type: none"> 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 transmission sent to the address specified in the announcement of the call to meeting or, in the absence thereof, to the Office of the Shareholder (<i>Oficina del Accionista</i>). Requests shall be allowed that include the recognised electronic signature of the requesting party, the personal passwords referred to in letter eb) 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 shareholder, 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

<p>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.</p> <p>4. The Board of Directors shall be required to provide the information requested pursuant to the two preceding paragraphs in the form and within the periods set forth in the law, in the <i>By-Laws</i> and in these <i>Regulations</i>, 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 <i>ultra vires</i> purposes, or that publication of the information might prejudice the Company or related companies.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>8. If, prior to the presentation of a specific question, the information requested is clearly, expressly and directly available 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.</p>	<p>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.</p> <p>4. The Board of Directors shall be required to provide the information requested pursuant to the preceding paragraphs<u>sections</u> in the form and within the periods set forth in the law, in the <i>By-Laws</i> and in these <i>Regulations</i>, 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 <i>ultra vires</i> purposes, or that publication of the information might prejudice the Company or related companies.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>8. If, prior to the presentation of a specific question, the information requested is clearly, expressly and directly available 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.</p>
<p>Article 16. Participation</p> <p>The Board of Directors shall adopt appropriate measures to encourage maximum participation of</p>	<p>Article 16. Participation</p> <p>The Board of Directors shall adopt appropriate measures to encourage maximum participation of</p>

<p>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.</p>	<p>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 <u>or gifts may</u> shall be used for social welfare purposes.</p>
<p>Article 17. Attendance</p> <ol style="list-style-type: none"> 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. 	<p>Article 17. Attendance</p> <ol style="list-style-type: none"> 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. 3. <u>The Company shall verify compliance with this requirement by consulting the data provided for this purpose by "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR) or by another valid means.</u>
<p>Article 19. Right to Proxy Representation</p> <ol style="list-style-type: none"> 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: 	<p>Article 19. Right to Proxy Representation</p> <ol style="list-style-type: none"> 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:

<p>a) Advance delivery of the attendance, proxy and absentee voting card or any other means of verifying the grant of a proxy that is accepted by the Company at the premises provided by the Company on the days announced on the Company's corporate website.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>d) By any other means that the Board of Directors determines is appropriate to favour the participation of the largest possible number of shareholders, provided that notice thereof is provided on the corporate website at the time of publishing the announcement of the call to meeting,</p>	<p>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. <u>Through the financial institutions that are intermediaries, managers and depositaries in which their shares are deposited, in order for said institutions to in turn cause the instructions received to be delivered to the Company.</u></p> <p>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.</p> <p><u>b) c) By electronic correspondence, completing the</u> Through the proxy form available on the Company's corporate website, <u>using the instantaneous authentication systems implemented by</u> the Company, using 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.</p> <p>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.</p> <p><u>c) Advance delivery of the attendance, proxy and absentee voting card or any other means of verifying the grant of a proxy that is accepted by the Company at the premises provided by the Company on the days announced on the Company's</u></p>
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<p>and the authenticity and identification of the shareholder granting the proxy is duly ensured.</p> <p>3. A proxy granted by any of the means indicated in the preceding section must be received by the Company before 24:00 on the day immediately prior to the day on which the General Shareholders' Meeting is held upon first call or upon second call, as applicable.</p> <p>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.</p> <p>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</p>	<p>corporate website.</p> <p><u>d)</u> 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.</p> <p><u>e)</u> d) By any other means other means of remote communication that the Board determines is appropriate to favour the participation of the largest possible number of shareholders, provided that notice thereof is given on the corporate website at the time of publishing the announcement of the call to meeting, and the authenticity and identification of the shareholder granting the proxy is duly ensured. <u>that it provides sufficient guarantees of the authenticity and identification</u> of the shareholder granting the proxy, <u>and, if appropriate,</u> that it duly ensures the security of the electronic communications.</p> <p>3. A proxy granted by any of the means indicated in the preceding section must be received by the Company before 24:00 on the day immediately prior to the day on which the General Shareholders' Meeting is held upon first call or upon second call, as applicable.</p> <p>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.</p> <p>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</p>
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<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>9. If the proxy has been validly granted pursuant to law and these <i>Regulations</i> 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</p>	<p>correspondence, and allow and authorise the chair of and the secretary for the General Shareholders' Meeting and the persons acting by delegationdelegation therefrom to accept any absentee votes received after such period, to the extent allowed by the means available.</p> <p>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 delegationdelegation 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>9. If the proxy has been validly granted pursuant to law and these <i>Regulations</i> 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</p>
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<p>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.</p> <p>This provision may be further developed by any rules approved by the Board of Directors that systematise, further develop, adapt and specify the provisions of the Corporate Governance System regarding the management of the General Shareholders' Meeting.</p> <p>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.</p> <p>11. Unless otherwise expressly indicated by the shareholder, if the proxy-holder is affected by a conflict of interest and has no specific voting instructions, or if the proxy-holder has them but it is deemed preferable that the proxy-holder not exercise the proxy with respect to the items involved in the conflict of interest, the shareholder shall be deemed to have appointed the following persons as proxy-holders for such items, severally and successively, in the event that any of them is in turn affected by a conflict of interest: first, the chair of the General Shareholders' Meeting, second, the secretary therefor, and finally, the deputy secretary of the Board of Directors, if any. In this latter event, if there are several deputy secretaries, the order to</p>	<p>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.</p> <p>This provision may be further developed by any rules approved by the Board of Directors that systematise, further develop, adapt and specify the provisions of the Corporate Governance System regarding the management of the General Shareholders' Meeting.</p> <p>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.</p> <p>11. Unless otherwise expressly indicated by the shareholder, if the proxy-holder is affected by a conflict of interest and has no specific voting instructions, or if the proxy-holder has them but it is deemed preferable that the proxy-holder not exercise the proxy with respect to the items involved in the conflict of interest, the shareholder shall be deemed to have appointed the following persons as proxy-holders for such items, severally and successively, in the event that any of them is in turn affected by a conflict of interest: first, the chair of the General Shareholders' Meeting, second, the secretary therefor, and finally, the deputy secretary of the Board of</p>
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<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>
<p>Article 22. Infrastructure, Means of Communication and Services Available at the Premises</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>	<p>Article 22. Infrastructure, Means of Communication and Services Available at the Premises</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>

<p>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.</p> <p>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 data subject 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.</p> <p>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</p>	<p>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.</p> <p>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 <u>on the legal basis of the Company's legitimate interest in complying with best transparency practices</u>. A data subject shall have the rights of access, rectification, objection or erasure, <u>erasure and restriction of processing</u> of the data collected by the Company on the terms established by law, by sending a letter to the Company at its registered — office. <u>by sending a letter addressed to the registered office or to the Office of the Shareholder (the postal address of which shall be provided by the Company for each Meeting) and at the e-mail address established by the Company for each Meeting. The data subject may also request more detailed information regarding the Company's privacy policy at the postal and electronic addresses indicated above.</u></p> <p>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.</p>
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<p>limitations.</p> <p>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.</p>	<p>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.</p>
<p>Article 33. Ratification, if Appropriate, of the Quorum for the General Shareholders' Meeting</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>4. If a notary public has been requested to</p>	<p>Article 33. Ratification, if Appropriate, of the quorumEstablishment of a Quorum for the General Shareholders' Meeting</p> <p>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 the shares in attendance at the meeting, with an indication of the share capital that such shares represent. <u>The chair, or if applicable, the secretary, may project the data resulting from the list of attendees onto the screens of the place where the meeting is held instead of reading the data.</u></p> <p>2. Once this information has been publicly announced<u>The chair of the General Shareholders' Meeting shall then,</u> if appropriate, ratify<u>declare</u> 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.</p> <p>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.</p> <p>4. If a notary public has been requested to prepare the minutes of the meeting, the</p>

<p>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.</p>	<p>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.</p>
<p>Article 39. Absentee Voting; Powers to Engage in Proxy-Granting and Absentee Voting</p> <ol style="list-style-type: none"> 1. Shareholders may cast their vote regarding proposals relating to the items included in the agenda of the call to meeting by means of postal or electronic correspondence, as well as by any other means of long-distance communication, provided that they adequately guarantee the authenticity and identification of the voting shareholders and, if applicable, duly ensure the security of the electronic communications. In all such cases, they shall be deemed to be present for purposes of the establishment of a quorum at the General Shareholders' Meeting. 2. In order to vote by postal correspondence, shareholders must send to the Company the duly completed and signed 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 	<p>Article 39. Absentee Voting; Powers to Engage in Proxy-Granting and Absentee Voting</p> <ol style="list-style-type: none"> 1. Shareholders may cast their <u>absentee</u> vote regarding proposals relating to the items included in the agenda of the call to meeting by postal or electronic correspondence, as well as by any other means of long-distance communication, provided that they adequately guarantee the authenticity and identification of the voting shareholders and, if applicable, duly ensure the security of the electronic communications <u>means indicated in section 2 of article 19 above</u>. 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 duly completed and signed 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 <u>through the form available on the corporate website</u> shall be cast using a recognised electronic signature or using the personal passwords <u>the means</u> referred to in letter eb) <u>e)</u> 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

<p>the preceding sections must be received by the Company before 24:00 on the day immediately prior to the day for the holding of the General Shareholders' Meeting upon first call or second call, as applicable.</p>	<p>the Company before 24:00 on the day immediately prior to the day for the holding of the General Shareholders' Meeting upon first call or second call, as applicable.</p>
<p>5. The absentee voting referred to in this article shall be rendered void:</p>	<p>5. The absentee voting referred to in this article shall be rendered void:</p>
<p>a) By subsequent express revocation made by the same means used to cast the vote and within the period established for such voting.</p>	<p>a) By subsequent express revocation made by the same means used to cast the vote and within the period established for such voting.</p>
<p>b) By attendance at the meeting of the shareholder casting the vote.</p>	<p>b) By attendance at the meeting of the shareholder casting the vote.</p>
<p>c) If the shareholder validly grants a proxy within the established period after the date of casting the absentee vote.</p>	<p>c) If the shareholder validly grants a proxy within the established period after the date of casting the absentee vote.</p>
<p>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.</p>	<p>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.</p>
<p>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 <i>Regulations</i>, 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.</p>	<p>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 <i>Regulations</i>, 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.</p>
<p>8. The Board of Directors is authorised to develop the appropriate rules, means and procedures to organise the casting of votes</p>	<p>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</p>

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 established in section 4 above for receipt by the Company of absentee votes and proxies granted by postal or electronic correspondence, and accept and authorise the chair of and the secretary for the General Shareholders' Meeting and the persons acting by delegation therefrom to accept, absentee votes and proxies received after such period, to the extent permitted by the means available.

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

The chairman and the secretary of the Board of Directors or the chair of and the secretary for the General Shareholders' Meeting, from the constitution thereof, and the persons acting by delegation therefrom, shall have the broadest powers to verify the identity of the shareholders and their representatives; check the legitimacy of the exercise of the rights of attendance, proxy-granting, information 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

means.

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

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

The chairman and the secretary of the Board of Directors or the chair of and the secretary for the General Shareholders' Meeting, from the constitution thereof, and the persons acting by ~~delegation~~ 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, information 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

<p>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.</p>	<p>System and in the rules that the Board of Directors may establish in order to further develop such provisions.</p>
<p>Article 44. Publication of Resolutions</p> <ol style="list-style-type: none"> 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 (<i>hecho relevante</i>), 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. 	<p>Article 44. Publication of Resolutions</p> <ol style="list-style-type: none"> 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 (<i>hecho relevante</i>), 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.

General Shareholders' Meeting

2 April 2020

Report of the Board of Directors

Proposed increases in capital by means
of scrip issues of the “Iberdrola Flexible
Remuneration” optional dividend system



REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF IBERDROLA, S.A. REGARDING THE PROPOSED IMPLEMENTATION OF TWO INCREASES IN CAPITAL BY MEANS OF SCRIP ISSUES IN ORDER TO IMPLEMENT THE “IBERDROLA FLEXIBLE REMUNERATION” OPTIONAL DIVIDEND SYSTEM INCLUDED IN ITEMS NUMBER THIRTEEN AND FOURTEEN ON THE AGENDA FOR THE 2020 GENERAL SHAREHOLDERS’ MEETING

1. Object of the Report.

This report has been prepared by the Board of Directors of IBERDROLA, S.A. (the “**Company**” or “**Iberdrola**”) pursuant to the provisions of sections 286 and 296 of the Companies Act (*Ley de Sociedades de Capital*), in order to provide a rationale for the two proposed increases in share capital by means of scrip issues through the issuance of new shares with a charge to reserves, which are submitted to the shareholders for approval at the General Shareholders’ Meeting under items number thirteen and fourteen on the agenda and under the section “*Common terms and conditions of the dividend distribution and increase in capital resolutions proposed under items number twelve, thirteen and fourteen on the agenda, pursuant to which the “Iberdrola Flexible Remuneration” optional dividend system is implemented*” (the “**Common Terms**”).

Pursuant to such sections of the Companies Act, to the extent that the approval of each of the increases in capital and the implementation thereof necessarily entails the amendment of the article of the *By-Laws* setting the share capital, the Board of Directors prepares this report setting forth the purpose of and rationale for the proposals being submitted to the shareholders at the General Shareholders’ Meeting.

Given that the two increases in share capital by means of scrip issues have the same purpose and are implemented in a similar manner, this report provides the rationale for both proposals. For purposes of easier understanding by the shareholders of the transaction that gives rise to the proposals, a description of the purpose of, rationale for and structure of the proposals is first provided. Set forth below are the main terms and conditions of the increases in capital by means of scrip issues. Finally, the proposed resolutions submitted to the shareholders for approval at the General Shareholders’ Meeting are included.

2. Purpose of, Rationale for and Structure of the Proposals.

2.1 Purpose of and Rationale for the Proposals.

The “Iberdrola Flexible Remuneration” optional dividend system reflects Iberdrola’s desire to continuously apply the best corporate governance practices, especially in the area of its shareholder remuneration policy.

From 2010 to 2017, Iberdrola implemented the “Iberdrola Flexible Dividend” (Scrip Dividend) remuneration system, which allowed shareholders to receive bonus shares of the Company, but without limiting their ability to alternatively receive an amount in cash equal to the payment of the traditional dividend.

Within the context of the ongoing dialogue and interaction maintained with its shareholders under the *Shareholder Engagement Policy*, in 2018 Iberdrola identified the possibility of improving the “Iberdrola Flexible Dividend” remuneration system, particularly the formula used to monetise the traditional dividend, which until then was implemented through the sale to the Company of the free-of-charge allocation rights at a guaranteed fixed price, and which in some

jurisdictions could have a different tax and accounting treatment than the one that would apply to the receipt of a cash dividend.

As a consequence of the foregoing, in 2018 the Company developed an alternative to monetise the traditional dividend that could be more attractive and clear for all shareholders. The result was the optional dividend system called “Iberdrola Flexible Remuneration”, which replaced the traditional remuneration system called “Iberdrola Flexible Dividend”, and was welcomed by all shareholders of the Company, receiving the support of more than 99% of the votes cast at the 2018 and 2019 General Shareholders’ Meetings.

This system, the approval of which is again submitted to the shareholders at the General Shareholders’ Meeting, is based on the same principle of offering the shareholders the ability to receive bonus shares or to monetise the amount of their remuneration, optimising the alternative consisting of receiving a fixed amount in cash instead of shares.

Thus, shareholders who prefer to receive their remuneration in cash may do so through a supplementary dividend approved by the General Shareholders’ Meeting or through payment of the interim dividend for financial year 2020 approved by the Board of Directors, instead of transferring to the Company at a guaranteed fixed price the free-of-charge allocation rights they receive within the context of the implementation of the increases in capital, as happened under the traditional system. In certain cases, this clarifies and simplifies the tax and accounting treatment of shareholder remuneration. In addition, shareholders who desire to receive their remuneration in cash will continue to have the option to sell their free-of-charge allocation rights on the market, although in this case the amount of the remuneration they receive will depend on market conditions in general and the listing price of the free-of-charge allocation rights in particular.

For this reason, in addition to the dividend contemplated in the proposed resolution corresponding to item number twelve on the agenda (the “**Supplementary Dividend**”), it is expected that, prior to 31 December 2020, the Board of Directors will adopt a resolution approving the distribution of an amount on account of the dividend for financial year 2020 (the “**Interim Dividend**”), which will in any case be subject to compliance with the requirements of section 277 of the *Companies Act*.

Notwithstanding the foregoing, if the requirements of section 277 of the *Companies Act* are not met in the Second Implementation (as such term is defined below) to distribute the Interim Dividend, the Company will make an irrevocable commitment to acquire the free-of-charge allocation rights arising from the second Increase in Capital (as such term is defined below) at a guaranteed fixed price upon the terms and conditions described below (the “**Purchase Commitment**” and the “**Fixed Purchase Price**”, respectively).

2.2 Structure of the Proposals.

The proposals submitted to the shareholders for approval at the General Shareholders’ Meeting under items number thirteen and fourteen on the agenda and under the Common Terms have been structured in the form of two increases in share capital with a charge to the reserves contemplated in section 303.1 of the *Companies Act* (each such increase in capital shall be referred to as an “**Increase in Capital**” and both of them collectively as the “**Increases in Capital**”), which shall be implemented together with the payment of the Supplementary Dividend and the Interim Dividend, respectively (each a “**Dividend**” and collectively the “**Dividends**”). In particular:

- (i) The first implementation of the “Iberdrola Flexible Remuneration” optional dividend system for financial year 2020 (the “**First Implementation**”) shall be carried out through

the implementation of the Increase in Capital submitted for approval of the shareholders at the General Shareholders' Meeting under item number thirteen on the agenda, together with the payment of the Supplementary Dividend.

- (ii) The second implementation of the "Iberdrola Flexible Remuneration" optional dividend system for financial year 2020 (the "**Second Implementation**", and collectively with the First Implementation, the "**Implementations**" and each of the Implementations, individually, an "**Implementation**") shall be carried out through the implementation of the Increase in Capital submitted for approval of the shareholders at the General Shareholders' Meeting under item number fourteen on the agenda together with the payment of the Interim Dividend, to the extent that the requirements set out in section 277 of the *Companies Act* are met. The Purchase Commitment would be implemented if said requirements are not met.

It is expected that the First Implementation will take place in the month of July 2020 and that the Second Implementation will occur in the month of January 2021.

In each of the Implementations, the shareholders may choose from among the following options for remuneration upon the terms and conditions established by the Board of Directors (with express power of substitution):

- (a) Receiving their remuneration in cash by collecting the Dividend in question (whether with respect to all of their shares or a portion thereof), for which purpose the shareholders shall be required to make an express election in this regard.
- (b) Receiving their remuneration in newly-issued bonus shares of the Company. To this end, shareholders must refrain from transferring their free-of-charge allocation rights on the market. In this case, upon completion of the trading period for the free-of-charge allocation rights and implementation of the Increase in Capital, the shareholders shall receive such number of new shares (as they are proportionately entitled to receive), entirely as bonus shares.
- (c) Transferring all or part of their free-of-charge allocation rights on the market during the trading period pursuant to the provisions of section 3.2 below. In this case, the consideration for such rights will depend on market conditions in general and on the listing price of such rights in particular.

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

Based on their preferences and needs, the Company's shareholders may combine any of the alternatives mentioned in paragraphs (a) through (c) above with respect to different groups of shares that each of them own. In any event, the election of one of the remuneration options automatically excludes the ability to choose either of the other two options regarding the same shares.

Furthermore, as already mentioned, if the requirements of section 277 of the *Companies Act* are not met on occasion of the Second Implementation, and therefore the Company cannot distribute the Interim Dividend, the shareholders may monetise their free-of-charge allocation rights by transferring them to the Company at the Fixed Purchase Price within the framework of

the Purchase Commitment and thus receive a cash amount equal to the one that the Company would have distributed as payment of the Interim Dividend.

In this regard, it should be borne in mind that the tax treatment of the above alternatives may be different, as described in section 3.7 below.

Iberdrola assumes no liability for the choices made by the holders of the free-of-charge allocation rights (or for a failure to choose, if an express and valid communication is not received from said holders).

3. Main Terms and Conditions of the Increases in Capital.

Set forth below are the main terms and conditions of the Increases in Capital.

3.1 Nominal Amount of the Increases in Capital, Number of Shares to Be Issued, and Number of Free-of-charge Allocation Rights Required for the Allocation of One New Share.

The amount of each of the Increases in Capital shall be the result of multiplying the nominal value of each share of the Company (seventy-five euro cents per share) by the total determinable number of new shares of the Company to be issued on the date of each of the Implementations. The Increases in Capital will thus be carried out at par (i.e. without a share premium).

In turn, the maximum number of new shares to be issued in each Increase in Capital shall be the number resulting from the application of the following formula (with the result being rounded to the next lower integer):

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

where:

NNS = Maximum number of new shares to be issued;

TNShrs. = Number of shares of the Company outstanding on the date that the Board of Directors (or the body acting by delegation therefrom) resolves to implement each Increase in Capital. In this regard, those shares of the Company that have previously been retired by virtue of the implementation of the resolution approving the reduction in share capital by means of the retirement of own shares submitted to the shareholders for approval at the General Shareholders' Meeting under item number eight on the agenda, even if the corresponding public instrument formalising the implementation of the resolution approving the reduction in capital has not been executed or is pending registration with the Commercial Registry, shall not be deemed to be outstanding shares of the Company; and

Num. rights = Number of free-of-charge allocation rights required for the allocation of one new share in the Increase in Capital in question, which number will result from the application of the following formula, rounded to the next higher integer:

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

where:

$$\text{Provisional number of shares} = \text{Amount of the Option} / \text{ListPri}$$

For these purposes, “**Amount of the Option**” shall mean the maximum reference market value of the relevant Increase in Capital to be set by the Board of Directors (or the body acting by delegation therefrom) and which will be a maximum amount of 1,625 million euros in the Increase in Capital submitted for the approval of the shareholders under item number thirteen on the agenda and of 1,415 million euros in the Increase in Capital submitted for the approval of the shareholders at the General Shareholders’ Meeting under item number fourteen on the agenda.

“**ListPri**” shall be the arithmetic mean of the average weighted listing prices of the Company’s shares on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges in the five trading sessions prior to the resolution of the Board of Directors (or of the body acting by delegation therefrom) which determines the number of free-of-charge allocation rights needed for the allocation of one new share, rounded to the closest one-thousandth part of one euro.

The maximum number of new shares to be issued thus calculated shall be rounded as required to obtain a whole number of shares (with the result being rounded to the next lower integer) and a ratio for the conversion of rights into shares that is also an integer (with the result being rounded to the next higher integer). In addition, and for the same purposes, the Company or a company of its group that holds shares of the Company shall waive the corresponding free-of-charge allocation rights as provided in section 3.2 below.

Furthermore, the gross amount per share of the Dividend in question, or if the requirements of section 277 of the Companies Act to distribute the Interim Dividend are not met, the gross amount of the Fixed Purchase Price per free-of-charge allocation right will be calculated as follows (rounding the result to the closest one-thousandth part of one euro):

$$\text{Dividend}^* = \text{ListPri} / (\text{Num. rights} + 1)$$

* Or, if applicable, Fixed Purchase Price

Solely for purposes of facilitating an understanding of the application hereof, the Common Terms include a sample calculation of the maximum number of new shares to be issued in the Increase in Capital submitted for approval of the shareholders under item number thirteen on the agenda, of the maximum nominal value of such Increase in Capital, of the number of free-of-charge allocation rights required for the allocation of one new share, and of the gross Supplementary Dividend per share.

The Amount of the Option of each Increase in Capital, together with the other items to be determined on each of the Implementations, shall be made public by means of a corresponding notice, which will be sent to the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

3.2 Free-of-charge Allocation Rights.

In each Increase in Capital, each outstanding share will grant its holder one free-of-charge allocation right.

It shall be deemed that those shareholders choosing to receive their remuneration in cash through the Dividend with respect to all or part of their shares expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares and the ability to transfer them on the market. To this end, the participants in “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) will block said free-of-charge allocation rights, which may not be transferred on the market and

which shall automatically expire at the end of the trading period, without the holders thereof being entitled to receive new shares.

The number of free-of-charge allocation rights required to receive one new share in each Increase in Capital shall be automatically determined according to the ratio existing between the number of shares of the Company then outstanding on the date of implementation of the Increase in Capital in question (TNShrs.) and the provisional number of new shares, calculated by using the formula contained in section 3.1 above. Specifically, the holders of free-of-charge allocation rights shall be entitled to receive one new share in exchange for the number of free-of-charge allocation rights held by them, which shall be determined as provided in section 3.1 above.

In the event that the number of free-of-charge allocation rights required for the allocation of one new share (Num. rights) multiplied by the maximum number of new shares to be issued (NNS) results in a number that is lower than the number of outstanding shares of the Company on the date of implementation of the Increase in Capital in question, the Company (or such entity within its group, if any, as holds shares of the Company) shall waive a number of free-of-charge allocation rights equal to the difference between both figures for the sole purpose that the number of new shares be a whole number and not a fraction. In such an event, as well as to the extent that shareholders of the Company elect to receive the Dividend, there will be an incomplete allocation of the Increase in Capital in question, and share capital shall be increased solely by the amount corresponding to the free-of-charge allocation rights that have not been waived, pursuant to the provisions of section 311 of the *Companies Act*.

The free-of-charge allocation rights shall be allocated to those who are registered as being entitled thereto in the book-entry records of "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR) on the relevant date pursuant to the securities clearing and settlement rules from time to time in effect. Notwithstanding the foregoing, and as mentioned in section 3.7 below, in certain instances it is possible that a portion of the free-of-charge allocation rights of the persons subject to the Corporate Income Tax (*Impuesto sobre Sociedades*) ("IS") or the Non-Resident Income Tax ("*Impuesto sobre la Renta de no Residentes*") ("IRNR") acting through a permanent establishment in Spain be subject to some type of deduction or withholding by the Company to be able to make the payment on account of any appropriate tax that must be applied to these shareholders by the Company. In any event, the Company shall duly report the details of such deduction or withholding.

Iberdrola will waive the free-of-charge allocation rights corresponding to the shares of the Company that have been retired prior to the date of implementation of the corresponding Increase in Capital if said shares have not yet been removed from the book-entry registers of "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR) because the corresponding public instrument formalising the implementation of the resolution approving the reduction in capital has not yet been executed or is still pending registration.

The free-of-charge allocation rights may be traded during such term as is established by the Board of Directors (with express power of substitution), which term shall not be less than fifteen calendar days. During such term, a sufficient number of free-of-charge allocation rights may be acquired on the market in the proportion required to receive new shares. Notwithstanding the foregoing, these free-of-charge allocation rights acquired on the market during the trading period shall not give the acquiring party the right to choose to receive the Dividend. Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market, or alternatively receive any new bonus shares to which they are entitled.

Shareholders that do not have free-of-charge allocation rights in a number sufficient to receive one new share in each Increase in Capital may: (a) acquire on the market a sufficient number of free-of-charge allocation rights which, added to those already held by them, grant them the right to receive one new share; (b) transfer all or part of their free-of-charge allocation rights on the market (with the consideration for their rights depending on market conditions in general and on the listing price of the free-of-charge allocation rights in particular); or (c) elect to receive the Dividend.

Upon completion of the trading period for the free-of-charge allocation rights and implementation of the Increase in Capital in question, the holders of the free-of-charge allocation rights (provided that they have not waived them upon the terms set forth above) shall receive a number of new shares –as they are proportionately entitled to receive– entirely as bonus shares.

Notwithstanding the foregoing, and as mentioned in section 3.7 below, in certain instances it is possible that a portion of the new shares allocated to the persons subject to the IS or the IRNR acting through a permanent establishment in Spain will be subject to some type of deduction or withholding by the Company to be able to make the payment on account of any appropriate tax that must be applied to these shareholders by the Company. In any event, the Company shall duly report the details of such deduction or withholding.

3.3 Gross Amount per Share to be Distributed to the Shareholders as the Dividend in the Implementations.

As previously explained, upon the implementation of each Increase in Capital, the shareholders may choose to receive a certain Dividend per share. The gross amount to be distributed to the shareholders as the Dividend for each share of Iberdrola with the right to receive it shall be determined within the context of each of the Implementations by the Board of Directors (with express power of substitution), pursuant to the rules set forth below.

In both Implementations, the gross amount per share of the Dividend will be the amount resulting from the application of the following formula, rounding the result to the closest one-thousandth part of one euro:

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

In the Second Implementation, the Board of Directors shall adopt the corresponding resolution on distribution of the Interim Dividend prior to 31 December 2020, subject in any case to the provisions of section 277 of the Companies Act¹.

During the Common Election Period for each Implementation, the Company's shareholders shall have the ability to expressly choose to receive the Dividend per share with respect to all or part of the shares they own and that are outstanding on the relevant date upon the terms set by the Board of Directors (with express power of substitution), and pursuant to applicable securities clearing and settlement rules from time to time in effect. If they choose to receive the Dividend per share in question with respect to all or part of their shares, the shareholders shall expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares pursuant to the provisions of section 3.2 above.

After the Common Election Period has ended, the Board of Directors (with express power of substitution) shall determine the aggregate gross amount in euros corresponding to the Dividend payment from each of the Implementations and shall make payment thereof through

¹ If the requirements of section 277 of the Companies Act to distribute the Interim Dividend are not met, the gross amount of the Fixed Purchase Price per free-of-charge allocation right will be equal to the gross amount of the Interim Dividend per share resulting from the above formula (see section 3.4 below).

the participants in “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR), the Board of Directors being hereby authorised for such purpose (with express power of substitution) to establish the specific date on which the payment of the Dividend should occur, to designate the entity that is to act as paying agent and to take such other steps as may be required or appropriate for the successful payment of the Dividend. Furthermore, after calculating said aggregate gross amount of the Dividend corresponding to each Implementation, the Board of Directors (with express power of substitution) shall rescind any resolution on distribution of the corresponding Dividend with respect to the amounts that were not distributed to those shareholders who elected (expressly or implicitly) to receive new shares.

Moreover, in the case of the First Implementation, after calculating the aggregate gross amount of the Dividend for such Implementation, the aggregate total amount distributed as a dividend with a charge to the results for the financial year ended 31 December 2019 pursuant to the provisions of item number twelve on the agenda shall be determined and, in view of said amount, the amount of the total basis for distribution established in said item on the agenda to be allocated to remainder shall be specified, and the resulting proposed allocation of profits/losses and distribution of the dividend for financial year 2019 shall be completed.

3.4 Purchase Commitment within the Framework of the Second Implementation.

As already mentioned, if the requirements set forth in section 277 of the *Companies Act* to distribute the Interim Dividend are not met within the framework of the Second Implementation, in order to ensure that the shareholders can receive all or part of their remuneration in cash, the Company will make an irrevocable commitment to acquire the free-of-charge allocation rights arising from the second Increase in Capital at a guaranteed fixed price (i.e. the Purchase Commitment and the Fixed Purchase Price, respectively) upon the following terms and conditions.

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

The Purchase Commitment assumed by the Company shall cover the free-of-charge allocation rights received by those who are registered as being entitled thereto in the book-entry records of “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) on the relevant date pursuant to the securities clearing and settlement rules from time to time in effect, but excluding those rights that have been transferred on the market.

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

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

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

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

3.5 Rights Attaching to the New Shares.

The new shares issued in each Increase in Capital shall be ordinary shares having a nominal value of seventy-five euro cents each, of the same class and series as those currently outstanding, represented by book entries, and the book-entry registration of which will be entrusted to “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) and its participants.

As from the date that each Increase in Capital is declared to be subscribed and paid up, the new shares shall grant the holders thereof the same financial, voting and like rights as the ordinary shares of the Company then outstanding.

The Increases in Capital shall be carried out free of expenses and fees as to the allocation of the new shares issued. The Company shall bear the costs of issuance, subscription, flotation, admission to trading and other costs associated with the Increases in Capital.

Without prejudice to the foregoing, the Company’s shareholders should bear in mind that the participants in “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) with which they keep their shares on deposit may establish such pass-through management fees and expenses as they may freely determine as a consequence of maintaining the securities in their book-entry records. Moreover, these participants may establish such pass-through fees and expenses as they may freely determine for the processing of orders to purchase and sell free-of-charge allocation rights.

3.6 Balance Sheet for the Transaction and Reserves with a Charge to which the Increases in Capital are Carried Out.

The balance sheet used as a basis for the Increases in Capital is the one for the financial year ended 31 December 2019, which has been audited by KPMG Auditores, S.L. and which is submitted to the shareholders for approval at the General Shareholders’ Meeting under item number one on the agenda.

The Increases in Capital shall be entirely carried out with a charge to the reserves contemplated in section 303.1 of the *Companies Act*. When implementing each of them, the Board of Directors (with express power of substitution) shall determine the reserve(s) that will be used and the amount of such reserve(s) in accordance with the balance sheet used as a basis for the transaction.

3.7 Tax Regime.

Within the framework of the implementation of the “Iberdrola Flexible Remuneration” optional dividend system in 2018, and particularly the option for the Supplementary Dividend and the Interim Dividend, the Company submitted a binding consultation to the General Tax Authority (*Dirección General de Tributos*) (the “DGT”) regarding the tax treatment applicable to its shareholders in Spain subject to the Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*) (“IRPF”), which was submitted to such agency on 14 July 2017. This binding consultation was answered by the DGT on 16 January 2018 with reference number V0042-18.

The treatment on the date of preparation of this report as described below is taken from the answer to such binding consultation, as well as from the answers by the DGT to the binding consultations obtained by the Company on 27 April 2010 and 1 October 2010 (made in relation to the traditional “Iberdrola Flexible Dividend” remuneration system).

Without prejudice to the foregoing, on 10 October 2019 the Company submitted a consultation to the DGT in order to clarify the tax impact for purposes of withholding of the *Resolution of 5 March 2019 of the Accounting and Statutory Auditing Institute developing the standards for presentation of financial instruments and other accounting aspects relating to the commercial regulation of capital enterprises*² (the “**ICAC Resolution**”) on the delivery of bonus shares or free-of-charge allocation rights in this context (the “**Consultation**”). The ICAC Resolution could give rise to a new instance of withholding on free-of-charge allocation rights for persons subject to the IS and the IRNR who act through a permanent establishment in Spain, if the DGT changes the standard used until now. The Consultation has not been answered as of the date of preparation of this report. The market will be duly informed as soon as the Company receives a reply to the Consultation.

Based on the DGT’s response to the Consultation, it is possible that a portion of the free-of-charge allocation rights or of the shares issued in favour of the shareholders of the Company (acting through a permanent establishment or branch in Spain) who are subject to the IS or the IRNR will be subject to some type of deduction or withholding by the Company to be able to make the payment on account of the tax corresponding to these investors. The Company will duly report the details of any such deduction or withholding, based on the response from the DGT and the legal and administrative standards it deems appropriate.

Notwithstanding the foregoing, and without prejudice to the Company using its best efforts to apply said deduction or withholding on the terms determined by the DGT (if any), if the deduction or withholding from the free-of-charge allocation rights or the bonus shares to make the payment on account of the corresponding tax cannot be made due to technical or other reasons, the Company shall assume no liability to the shareholders, holders of the free-of-charge allocation rights or any other third parties who might be affected by this circumstance.

In any event, one should keep in mind certain tax measures that could affect the taxation of the “Iberdrola Flexible Remuneration” optional dividend system for the shareholders. In particular, in the “*Update of Stability Programme for 2019-2022*” report, the Spanish government confirmed its intention to implement the Financial Transactions Tax (*Impuesto sobre las Transacciones Financieras*) (“**ITF**”), which might tax certain financial transactions in shares of Iberdrola (or American Depositary Receipts (ADRs) or Crest Depositary Interests (CDIs)) carried out in Spain. As at the date of this report, there is no additional public information regarding the implementation of the ITF. In any event, shareholders and the holders of free-of-charge allocation rights are advised to consult their tax advisers regarding the impact of these tax measures (if they ultimately enter into force), taking into account the particular circumstances of each shareholder or holder of free-of-charge allocation rights.

Receiving newly-issued bonus shares.

Pursuant to Spanish tax regulations, the shareholders that choose to receive new shares as a consequence of the Increases in Capital will not pay tax for such reason for purposes of the IRPF or of the IRNR if they do not act through a permanent establishment in Spain, nor will they be subject to any withholding or payment on account.

² Published in the Official State Gazette on 11 March 2019.

The acquisition value for these shareholders of both the new shares received as a consequence of each Increase in Capital and the shares from which they derive will result from distributing the total cost of acquisition among the applicable number of securities, including both existing securities and those issued as bonus shares. In respect of these shareholders, such bonus shares will be deemed to have been held for as long as the shares from which they derive. Consequently, in the event of a subsequent transfer, the income subject to taxation that is obtained will be calculated by reference to such new acquisition value.

For the IS and for the IRNR for non-residents with a permanent establishment in Spain, to the extent that a complete commercial cycle is closed, these shareholders will pay tax pursuant to applicable accounting rules (taking into account, if applicable, the ICAC Resolution, and particularly article 35.4 thereof regarding the treatment of members of shareholder remuneration programmes that can be implemented by acquiring newly-issued bonus shares, disposing of the free-of-charge allocation rights on the market or selling them to the issuing company, the application of which shall be mandatory for financial years beginning on 1 January 2020), and any specific rules regarding the above taxes. All of the foregoing is without prejudice to the rules determining the tax basis that may apply in these taxes.

In order to clarify the tax impact for withholding purposes of the ICAC Resolution on the delivery of bonus shares or free-of-charge allocation rights in this context, the Company has filed the Consultation with the DGT, the resolution of which will be duly disclosed to the market. Based on the DGT's response to the Consultation, it is possible that a portion of the free-of-charge allocation rights or of the shares issued in favour of the shareholders of the Company (acting through a permanent establishment or branch in Spain) who are subject to the IS or the IRNR will be subject to some type of deduction or withholding by the Company to be able to make the payment on account of the tax corresponding to these investors. The Company will duly report the details of any such deduction or withholding, based on the response from the DGT and the legal and administrative standards it deems appropriate.

Transferring all or part of their free-of-charge allocation rights on the market.

In the event that the shareholders sell their free-of-charge allocation rights on the market, the amount obtained for the transfer of such rights on the market will be subject to the following tax treatment:

- For the IRPF and in the IRNR for non-residents without a permanent establishment in Spain, the amount obtained in transfers of free-of-charge allocation rights will be deemed to be a financial profit, all without prejudice to the potential application to persons subject to the IRNR without a permanent establishment of international treaties, including the treaties signed by Spain for the avoidance of double taxation and for the prevention of tax evasion in the area of Income Tax and to which they might be entitled, and the exemptions established in the IRNR rules.

In addition, for individual shareholders subject to the IRPF applicable within the common regions of Spain, the amount obtained in the transfers of free-of-charge allocation rights will be subject to the corresponding withholding on account of this tax. The withholding will be applied by the corresponding depositary (and in the absence thereof, by the financial intermediary or notary public that has participated in the transfer thereof).

- For the IS and for the IRNR for non-residents with a permanent establishment in Spain, to the extent that a complete commercial cycle is closed, taxes will be paid pursuant to applicable rules (taking into account, if applicable, the ICAC Resolution, and particularly article 35.4 thereof regarding the treatment of members of shareholder remuneration programmes that can be implemented by acquiring newly-issued bonus shares, disposing

of the free-of-charge allocation rights on the market or selling them to the issuing company, the application of which shall be mandatory for financial years beginning on 1 January 2020), and any specific rules regarding the above taxes. All of the foregoing is without prejudice to the rules determining the tax basis that may apply in these taxes.

In order to clarify the tax impact for withholding purposes of the ICAC Resolution on the delivery of bonus shares or free-of-charge allocation rights in this context, the Company has filed the Consultation with the DGT, the resolution of which will be duly disclosed to the market. Based on the DGT's response to the Consultation, it is possible that a portion of the free-of-charge allocation rights or of the shares issued in favour of the shareholders of the Company (acting through a permanent establishment or branch in Spain) who are subject to the IS or the IRNR will be subject to some type of deduction or withholding by the Company to be able to make the payment on account of the tax corresponding to these investors. The Company will duly report the details of any such deduction or withholding, based on the response from the DGT and the legal and administrative standards it deems appropriate.

Receiving their remuneration in cash by collecting the Dividend in question, or alternatively, transferring all of their free-of-charge allocation rights to the Company at the Fixed Purchase Price pursuant to the Purchase Commitment³.

Finally, if the shareholders choose to receive the Supplementary Dividend or the Interim Dividend (or if they receive the Fixed Purchase Price, if applicable), the amount obtained will be covered by the tax regime for returns obtained from participation in the own funds of entities (as dividends), and will therefore be subject to the corresponding withholding and taxation. In any event, in order to clarify the tax impact for withholding purposes of the ICAC Resolution on the delivery of bonus shares or free-of-charge allocation rights in this context, the Company has filed the Consultation with the DGT, the resolution of which will be duly disclosed to the market.

It should be borne in mind that this analysis of the tax regime (which has been performed on the basis of specific assumptions) does not cover all the possible tax consequences of the various options relating to the "Iberdrola Flexible Remuneration" optional dividend system and/or the implementation of the Increases in Capital and the distribution of the Supplementary Dividend and of the Interim Dividend. If a change in these assumptions changes the description of the taxation of the proposals covered by this report, the new tax treatment will be communicated to the market as appropriate. In particular, it does not describe the consequences to which shareholders that are not residents in Spain for tax purposes may be subject in their countries of residence. Therefore, it is recommended that shareholders and holders of free-of-charge allocation rights consult with their tax advisers regarding the specific tax impact of the proposed remuneration system, taking into account the particular circumstances of each shareholder or holder of free-of-charge allocation rights, and that they pay attention to: (i) any amendments that may be made to the law applicable as of the date of this report, (ii) the text of the transitional provisions thereof, and (iii) the rules for interpretation.

Finally, the holders of American Depositary Receipts (ADRs) and CREST Depositary Interests (CDIs) representing shares of the Company are advised to consult with their tax advisers on the taxation thereof in Spain or their jurisdictions of residence before making a decision in connection with the Increases in Capital.

³ If the requirements of section 277 of the *Companies Act* to distribute the Interim Dividend are not met.

3.8 Delegation to Carry Out Each of the Implementations.

It is proposed to delegate to the Board of Directors (with express power of substitution) the power to set the date on which each of the Implementations is to be carried out, as well as to establish the terms and conditions applicable to each of the Implementations as to all matters not provided for by the shareholders at the General Shareholders' Meeting (including, in particular, the Amount of the Option), all on the terms and within the period of one year contemplated in section 297.1.a) of the *Companies Act*. Notwithstanding the foregoing, if the Board of Directors (with express power of substitution) does not deem it advisable to carry out one or both Implementations, in whole or in part, within the aforementioned period, it may refrain from doing so, with the duty to inform the shareholders thereof at the next General Shareholders' Meeting. Specifically, the Board of Directors (with express power of substitution) shall analyse and take into account the market conditions, the circumstances of the Company itself or those deriving from an event that has social or financial significance for the Company, and if these or other factors make it inadvisable, in its opinion, to carry out one or both Implementations, it may refrain from doing so. In addition, the resolutions approved by the shareholders at this General Shareholders' Meeting relating to the Supplementary Dividend and to the Increases in Capital shall be deprived of any and all effect in the event that the Board of Directors does not exercise the powers delegated thereto or, in the case of the Second Implementation, does not approve the distribution of the Interim Dividend or honour the Purchase Commitment, within a period of one year from approval of the resolutions.

Furthermore, in order to facilitate compliance by Iberdrola with the DGT's answer to the Consultation or any changes that may be made subsequent to the preparation of this report to the tax rules applicable to the "Iberdrola Flexible Remuneration" optional dividend system, it is proposed to delegate to the Board of Directors (with express power of substitution) the power to approve and implement the mechanisms that are necessary or appropriate for these purposes.

On the dates that the Board of Directors (or the body acting by delegation therefrom) decides to implement an Increase in Capital, establishing for such purpose all of the final terms and conditions thereof as to all matters not provided for by the shareholders at the General Shareholders' Meeting, the Company shall make public such terms and conditions. In particular, prior to the commencement of each free-of-charge allocation period, the Company shall make available to the public a document containing information on the number and nature of the shares, the reasons for the Increase in Capital and the gross amount of the Dividend per share, all as provided by article 1.5.(g) of *Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC* or the legal provisions that apply at any particular time.

Once the period for trading the free-of-charge allocation rights corresponding to each of the Increases in Capital has ended, the following shall apply:

- i. The new shares shall be allocated to those who, according to the book-entry records maintained by "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR) and its participants, are the holders of free-of-charge allocation rights in the required proportion (due to not having waived them on the terms provided above).
- ii. The period for trading the free-of-charge allocation rights shall be declared to have ended and the appropriation of the account(s) with a charge to which the relevant Increase in Capital will be implemented shall be formalised on the books in the respective amount, with which appropriation the Increase in Capital will be paid up.

- iii. The Company shall pay the Supplementary Dividend or the Interim Dividend (or, if the requirements of section 277 of the *Companies Act* are not met within the framework of the Second Implementation, the Fixed Purchase Price), as applicable, to the shareholders that have expressly chosen this remuneration option within the period and subject to the terms and conditions determined for these purposes by the Board of Directors (with express power of substitution).

Finally, in each Increase in Capital, the Board of Directors (with express power of substitution) shall adopt the resolutions required to amend the *By-Laws* so that they reflect the new amount of share capital and the number of shares resulting from the Increase in Capital in question, and to make application for trading the new shares as described in the next section.

3.9 Admission of the New Shares to Trading.

The Company shall make application for trading the new shares to be issued as a consequence of each Increase in Capital on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (*Sistema de Interconexión Bursátil*) (Continuous Market), and shall carry out such acts and formalities as are required for admission to trading of the new shares issued in each Increase in Capital.

4. Proposed Resolutions Submitted to the Shareholders at the General Shareholders' Meeting.

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

“ITEM NUMBER TWELVE ON THE AGENDA

Allocation of profits/losses and distribution of 2019 dividends, the supplementary payment of which will be made within the framework of the “Iberdrola Flexible Remuneration” optional dividend system.

RESOLUTION

To approve the proposed allocation of profits/losses and distribution of dividends for financial year 2019 formulated by the Board of Directors at its meeting held on 24 February 2020, which is described below:

*To distribute, with a charge to the results for the financial year ended 31 December 2019, a dividend in the aggregate gross amount that will be equal to the sum of the following amounts (the “**Dividend**”):*

- a) 238,558,646.76 euros, which were paid on account of the dividend for financial year 2019 on 5 February 2020 to the holders of 1,419,991,945 shares of IBERDROLA, S.A. (the “**Company**” or “**Iberdrola**”) who elected to receive their remuneration in cash within the framework of the second implementation of the “Iberdrola Flexible Remuneration” optional dividend system for financial year 2019 by collecting an amount of 0.168 euro (gross) per share (the total amount paid to said holders will be referred to as the “**Total Interim Dividend**”); and
- b) the determinable amount resulting from multiplying:
 - i. the gross amount per share to be distributed by the Company as a supplementary dividend payment for financial year 2019 within the framework of the first implementation of the “Iberdrola Flexible Remuneration” optional dividend system for financial year 2020 (the “**Supplementary Dividend**”), and which will be as determined by the Company’s Board of Directors pursuant to

the rules set forth in the section “Common terms and conditions of the dividend distribution and increase in capital resolutions proposed under items number twelve, thirteen and fourteen on the agenda pursuant to which the “Iberdrola Flexible Remuneration” optional dividend system is implemented” (the “**Common Terms**”); by

- ii. the total number of shares with respect to which the holders thereof have elected to receive the Supplementary Dividend within the framework of the first implementation of the “Iberdrola Flexible Remuneration” optional dividend system.

The amount of the Supplementary Dividend, and therefore the amount of the Dividend, cannot be determined as of the date of formulation of this proposed resolution.

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

The collection of the Supplementary Dividend provided for in this resolution is thus configured, in accordance with the provisions of the Common Terms, as one of the alternatives that a shareholder of Iberdrola can choose when receiving their remuneration within the framework of the first implementation of the “Iberdrola Flexible Remuneration” optional dividend system for financial year 2020. As a result of the foregoing, and as described below in the Common Terms, it shall be deemed that those shareholders choosing to receive their remuneration in cash through the Supplementary Dividend with respect to all or part of their shares expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares and therefore the ability to transfer them on the market or to receive newly-issued bonus shares corresponding to said free-of-charge allocation rights.

The distribution of the Supplementary Dividend, which is expected to become effective during the month of August 2020, shall be implemented through the participants in “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR), the Board of Directors being hereby authorised to establish the specific date for payment of the Supplementary Dividend, to designate the entity that is to act as paying agent and to take such other steps as may be required or appropriate for the successful completion of the distribution.

The Board of Directors is also delegated the power to set the conditions applicable to the payment of the Supplementary Dividend to the extent not provided for in this resolution, including the determination of the specific gross amount of the Supplementary Dividend subject to the aforementioned rules.

Finally, pursuant to the provisions of section 249.2 of the Companies Act, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.

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

BASIS FOR DISTRIBUTION:

Balance from prior financial years: 8,732,386,577.38

Profits for financial year 2019:
2,848,815,453.09

TOTAL: **11,581,202,030.47**

DISTRIBUTION:

To Dividend: *Amount pending determination which will result from adding: (a) the Total Interim Dividend, and (b) the product resulting from multiplying the Supplementary Dividend by the total number of shares with respect to which the holders thereof have elected to receive the Supplementary Dividend within the framework of the first implementation of the “Iberdrola Flexible Remuneration” optional dividend system for financial year 2020.*

To remainder: *Determinable amount that will result from subtracting the amount allocated to the Dividend from the total basis for distribution.*

TOTAL: **11,581,202,030.47**

On the date that the Board of Directors (or the body acting by delegation therefrom) decides to implement the increase in capital that is being submitted for approval of the shareholders at the General Shareholders’ Meeting under item number thirteen on the agenda (and therefore, to commence the first implementation of the “Iberdrola Flexible Remuneration” optional dividend system for financial year 2020), the minimum amount of the Supplementary Dividend shall be announced. The final amount of the Supplementary Dividend shall be communicated as soon as the Board of Directors (or the body acting by delegation therefrom) determines it in accordance with the provisions of the Common Terms. Furthermore, once the first implementation of the “Iberdrola Flexible Remuneration” optional dividend system for financial year 2020 is completed, the Board of Directors (with express power of substitution) shall proceed to specify the aforementioned proposed distribution, determining the final amount of the Dividend and the amount to be allocated to remainder.

The Common Terms include a sample calculation of the Supplementary Dividend, among other figures relating to the implementation of the increase in capital submitted for approval of the shareholders at the General Shareholders’ Meeting under item number thirteen on the agenda.

ITEM NUMBER THIRTEEN ON THE AGENDA

First increase in capital by means of a scrip issue at a maximum reference market value of 1,625 million euros in order to implement the “Iberdrola Flexible Remuneration” optional dividend system.

RESOLUTION

To increase the share capital of IBERDROLA, S.A. (the “Company” or “Iberdrola”) upon the terms and conditions described in the section below, entitled “Common terms and conditions of the dividend distribution and increase in capital resolutions proposed under items number twelve, thirteen and fourteen on the agenda, pursuant to which the “Iberdrola Flexible Remuneration” optional dividend system is implemented” (the “Common Terms”), at a maximum reference market value of 1,625 million euros for the shares to be issued in implementation of said increase.

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

Pursuant to the provisions of section 297.1.a) of the Companies Act, to delegate to the Board of Directors the power to set the date on which the increase in capital is to be carried out, if at all, and to set the terms and conditions applicable to all matters not included in this resolution.

Pursuant to the provisions of section 249.2 of the Companies Act, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.

This increase in capital is expected to be implemented together with the supplementary payment of the dividend contemplated in item number twelve on the agenda during the month of July 2020.

ITEM NUMBER FOURTEEN ON THE AGENDA

Second increase in capital by means of a scrip issue at a maximum reference market value of 1,415 million euros in order to implement the "Iberdrola Flexible Remuneration" optional dividend system.

RESOLUTION

*To increase the share capital of IBERDROLA, S.A. (the "**Company**" or "**Iberdrola**") upon the terms and conditions described in the section below, entitled "Common terms and conditions of the dividend distribution and increase in capital resolutions proposed under items number twelve, thirteen and fourteen on the agenda, pursuant to which the "Iberdrola Flexible Remuneration" optional dividend system is implemented" (the "**Common Terms**"), at a maximum reference market value of 1,415 million euros for the shares to be issued in implementation of said increase.*

*The increase in capital is expected to be implemented together with the payment of the interim dividend amount for financial year 2020, if any, to be approved by the Company's Board of Directors (the "**Interim Dividend**") in order to offer the shareholders the ability to receive their remuneration in cash (by collecting the Interim Dividend) or in newly-issued bonus shares of the Company (through the increase in capital). The delivery of bonus shares issued within the context of the increase in capital is thus configured as one of the alternatives that a shareholder can choose when receiving their remuneration, pursuant to the provisions of the Common Terms.*

Pursuant to the provisions of section 297.1.a) of the Companies Act, to delegate to the Board of Directors the power to set the date on which the increase in capital is to be carried out, if at all, and to set the terms and conditions applicable to all matters not included in this resolution.

Pursuant to the provisions of section 249.2 of the Companies Act, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.

This increase in capital is expected to be implemented together with the Interim Dividend payment during the month of January 2021.

COMMON TERMS AND CONDITIONS OF THE DIVIDEND DISTRIBUTION AND INCREASE IN CAPITAL RESOLUTIONS PROPOSED UNDER ITEMS NUMBER TWELVE, THIRTEEN AND FOURTEEN ON THE AGENDA, BY VIRTUE OF WHICH THE “IBERDROLA FLEXIBLE REMUNERATION” OPTIONAL DIVIDEND SYSTEM IS IMPLEMENTED

1. Main Characteristics of the “Iberdrola Flexible Remuneration” Optional Dividend System

The purpose of the resolutions for the allocation of profits/losses and dividend distribution and increase in capital resolutions proposed under items number twelve, thirteen and fourteen on the agenda is to implement the “Iberdrola Flexible Remuneration” optional dividend system pursuant to which the shareholders of IBERDROLA, S.A. (the “**Company**” or “**Iberdrola**”) are offered the ability to receive their remuneration in cash or in newly-issued bonus shares.

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

- (i) The first implementation of the “Iberdrola Flexible Remuneration” optional dividend system for financial year 2020, which is expected to take place during the month of July 2020 (the “**First Implementation**”), shall be carried out through the supplementary payment of the dividend for financial year 2019 contemplated in item number twelve on the agenda (the “**Supplementary Dividend**”) together with the implementation of the Increase in Capital submitted for approval of the shareholders at the General Shareholders’ Meeting under item number thirteen on the agenda.
- (ii) The second implementation of the “Iberdrola Flexible Remuneration” optional dividend system for financial year 2020, which is expected to take place during the month of January 2021 (the “**Second Implementation**”, and collectively with the First Implementation, the “**Implementations**” and each of the Implementations, individually, an “**Implementation**”), shall be carried out through the payment of an interim amount of the dividend for financial year 2020 (the “**Interim Dividend**”) to be approved, if appropriate, by the Board of Directors pursuant to the provisions of section 2.2 below, together with the implementation of the Increase in Capital submitted for approval of the shareholders at the General Shareholders’ Meeting under item number fourteen on the agenda.

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

In each of the Implementations, the shareholders may choose from among the following options for remuneration upon the terms and conditions established by the Board of Directors (with express power of substitution):

- (a) Receiving their remuneration in cash by collecting the Dividend in question (whether with respect to all of their shares or a portion thereof), for which purpose the shareholders shall be required to make an express election in this regard.
- (b) Receiving their remuneration in newly-issued bonus shares of the Company. To this end, shareholders must refrain from transferring their free-of-charge allocation rights on the market. In this case, upon completion of the trading period for the free-of-charge allocation rights and

implementation of the Increase in Capital, the shareholders shall receive such number of new shares (as they are proportionately entitled to receive), entirely as bonus shares.

- (c) *Transferring all or part of their free-of-charge allocation rights on the market during the trading period pursuant to the provisions of section 5 below. In this case, the consideration for such rights will depend on market conditions in general and on the listing price of such rights in particular.*

The final amount of each of the Dividend Payments and of each of the Increases in Capital shall be determined by the Company's Board of Directors (or the body acting by delegation therefrom) within the context of each of the Implementations and pursuant to the provisions of the sections below.

Within the year following the date of approval of the resolutions included in items number twelve, thirteen and fourteen on the agenda, each of the Implementations may be made by the Board of Directors (with express power of substitution) at its sole discretion, and therefore without having to once again obtain the approval of the shareholders at a General Shareholders' Meeting, and based on the legal and financial conditions existing at the time of each of the Implementations, in order to offer the Company's shareholders a flexible and efficient remuneration formula.

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

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

*As described below (see section 3 below), if the requirements of section 277 of the Companies Act to distribute the Interim Dividend are not met within the framework of the Second Implementation, the Company will make an irrevocable commitment to acquire the free-of-charge allocation rights arising from the second Increase in Capital at a guaranteed fixed price upon the terms and conditions described below (the "**Purchase Commitment**" and the "**Fixed Purchase Price**", respectively). In this case, the shareholders may monetise their free-of-charge allocation rights by transferring them to the Company at the Fixed Purchase Price and thus receive a cash amount equal to the one that the Company would have distributed as the Interim Dividend.*

Iberdrola assumes no liability for the choices made by the holders of the free-of-charge allocation rights (or for a failure to choose, if an express and valid communication is not received from said holders).

It is also stated for the record that the only period authorised for the holder of free-of-charge allocation rights to communicate to the entities with which their rights are deposited regarding the remuneration options is the Common Election Period, regardless of whether they are institutional or minority holders of rights. Iberdrola assumes no liability for a breach of this period by the depositaries (whether due to not accepting communications during a portion of the Common Election Period or for accepting them after the passage of said period, or for any other reason), for which reason any claim in this regard must be addressed by the shareholders or holders of free-of-charge allocation rights to the depositary in question.

2. Amount of the Dividends.

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

The gross amount to be distributed to the shareholders as a Supplementary Dividend for each share of Iberdrola with the right to receive it shall be determined within the context of the First Implementation by the Board of Directors (with express power of substitution), subject to the terms and conditions set forth in item number twelve on the agenda and in this section (the “**Supplementary Dividend**”). The amount of the Supplementary Dividend shall be calculated in accordance with the terms set forth in this section.

During the Common Election Period for the First Implementation, the Company’s shareholders shall have the ability to expressly choose to receive the Supplementary Dividend with respect to all or part of the shares they own and that are outstanding on the relevant date upon the terms set by the Board of Directors (with express power of substitution) and pursuant to applicable securities clearing and settlement rules from time to time in effect. If they choose to receive the Supplementary Dividend with respect to all or part of their shares, the shareholders shall expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares.

After the Common Election Period for the First Implementation has ended, the Board of Directors (with express power of substitution) shall determine the aggregate gross amount in euros corresponding to the Dividend Payment for the First Implementation (equal to the final amount of the Supplementary Dividend) and shall make payment thereof through the participants in “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR), the Board of Directors being hereby authorised for such purpose (with express power of substitution) to establish the specific date on which the Dividend Payment should occur, to designate the entity that is to act as paying agent, and to take such other steps as may be required or appropriate for the successful completion of the Dividend Payment. Furthermore, after calculating said aggregate gross amount corresponding to the Dividend Payment for the First Implementation, the Board of Directors (with express power of substitution) shall, if applicable, rescind the resolution on distribution of the Supplementary Dividend with respect to the amounts that were not distributed to those shareholders who elected (expressly or implicitly) to receive newly-issued bonus shares of the Company or who sold their free-of-charge allocation rights on the market.

Moreover, after calculating the aggregate gross amount of the Supplementary Dividend, the aggregate total amount distributed as a dividend with a charge to the results for the financial year ended 31 December 2019 pursuant to the provisions of item number twelve on the agenda shall be determined and, in view of said amount, the amount of the total basis for distribution established in said item on the agenda to be allocated to remainder shall be specified, and the resulting proposed allocation of profits/losses and distribution of the dividend for financial year 2019 shall be completed.

The free-of-charge allocation rights acquired on the market during the trading period established for this purpose by the Board of Directors (or the body acting by delegation therefrom) shall not give the acquiring parties the right to choose to receive the Supplementary Dividend. Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market during said trading period that has been activated for this purpose. Alternatively, they may receive the newly-issued bonus shares to which they are entitled.

Section 4.1 below includes the formula for calculating the gross amount per share corresponding to the Supplementary Dividend.

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

The gross amount to be distributed as an Interim Dividend, if any, for each share of Iberdrola with the right to receive it shall be as determined by the Board of Directors pursuant to the corresponding resolution to be adopted prior to 31 December 2020 and pursuant to the provisions of section 277 of the Companies Act (the “**Interim Dividend**”).

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

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

The free-of-charge allocation rights acquired on the market during the trading period established for this purpose by the Board of Directors (or the body acting by delegation therefrom) shall not give the acquiring parties the right to choose to receive the Interim Dividend. Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market during said trading period that has been activated for this purpose. Alternatively, they may choose to receive the newly-issued bonus shares to which they are entitled at the end of the aforementioned trading period.

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

Section 4.1 below includes the formula for calculating the gross amount per share corresponding to the Interim Dividend.

3. Purchase Commitment within the Framework of the Second Implementation.

If the requirements of section 277 of the Companies Act are not met to distribute the Interim Dividend within the framework of the Second Implementation, the Company will make the Purchase

Commitment upon the terms described in this section in order to ensure that the shareholders can receive all or part of their remuneration in cash.

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

The Fixed Purchase Price shall be calculated by applying the formula used to determine the Interim Dividend (see section 4.1 below), such that the amount that would be received by shareholders choosing this option would be equal to the amount they would have received if it had been possible to distribute the Interim Dividend. The Fixed Purchase Price shall be calculated prior to the commencement of the trading period for the free-of-charge allocation rights of the second Increase in Capital and shall be published as soon as it is determined.

The Purchase Commitment assumed by the Company shall cover the free-of-charge allocation rights received by those who are registered as being entitled thereto in the book-entry records of “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) on the relevant date pursuant to the securities clearing and settlement rules from time to time in effect. The free-of-charge allocation rights acquired on the market during the trading period established for this purpose by the Board of Directors (or the body acting by delegation therefrom) shall not give the acquiring parties the right to exercise the Purchase Commitment or, therefore, to receive the Fixed Purchase Price. Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market during said trading period that has been activated for this purpose. Alternatively, they may choose to receive the newly-issued bonus shares to which they are entitled at the end of the aforementioned trading period.

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

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

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

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

4. Common Characteristics of the Increases in Capital.

*The amount of each of the Increases in Capital shall be the amount resulting from multiplying: (a) the nominal value of each share of the Company, equal to seventy-five euro cents, by (b) the total determinable number of new shares of the Company to be issued, in accordance with the formula set forth in section 4.1 below, on the date of each of the Implementations (the new shares of the Company issued by way of implementation of each of the Increases in Capital shall be collectively referred to as the “**New Shares**”, and each one, individually, as a “**New Share**”).*

Both Increases in Capital shall be carried out, if at all, by means of the issuance and flotation, on their respective dates of implementation, of the New Shares, which shall be ordinary shares having a

nominal value of seventy-five euro cents each, of the same class and series as those currently outstanding, represented by book entries.

The Increases in Capital shall be entirely carried out with a charge to the reserves contemplated in section 303.1 of the Companies Act. When implementing each of the Increases in Capital, the Board of Directors, with express power of substitution, shall determine the reserve(s) to be used and the amount of such reserve(s) in accordance with the balance sheet used as a basis for the transaction.

The New Shares shall be issued at par, i.e. at their nominal value of seventy-five euro cents, without a share premium, and shall be allocated without charge to the shareholders of the Company who have opted for this remuneration alternative.

Pursuant to the provisions of section 311 of the Companies Act, the possibility of an incomplete allocation of the Increases in Capital is contemplated in the event that the Company, a company within its group, a shareholder or a third party waives all or part of the free-of-charge allocation rights to which they are entitled at the time of implementation of each of the Increases in Capital, for which reason, in the event of such waiver, the share capital shall be increased by the corresponding amount. For these purposes, it shall be deemed that those who have chosen to receive their remuneration in cash by means of collecting the Dividend in question with respect to all or part of their shares expressly, automatically and irrevocably waive the free-of-charge allocation rights corresponding to said shares, upon the terms and conditions set forth herein.

4.1 New Shares to Be Issued in Each of the Increases in Capital.

The maximum number of New Shares to be issued in each of the Increases in Capital shall be the number resulting from the application of the following formula, with the resulting number being rounded to the next lower integer:

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

where:

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

TNShrs. = Number of shares of the Company outstanding on the date that the Board of Directors (with express power of substitution) resolves to implement the relevant Increase in Capital. In this regard, those shares of the Company that have previously been retired by virtue of the implementation of the resolution approving the reduction in share capital by means of the retirement of own shares submitted to the shareholders for approval at the General Shareholders' Meeting under item number eight on the agenda, even if the corresponding public instrument formalising the reduction in share capital has not been executed or is pending registration with the Commercial Registry, shall not be deemed to be outstanding shares of the Company; and

Num. rights = Number of free-of-charge allocation rights required for the allocation of one New Share within the framework of the relevant Increase in Capital, which number will result from the application of the following formula, with the result being rounded to the next higher integer:

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

where:

Provisional number of shares = Amount of the Option / ListPri.

For these purposes, “**Amount of the Option**” shall mean the maximum reference market value of the relevant Increase in Capital to be set by the Board of Directors (with express power of substitution) and which shall not be greater than the amount referred to in the proposed increase in capital resolutions submitted for the approval of the shareholders at the General Shareholders’ Meeting under items number thirteen and fourteen on the agenda (i.e. 1,625 and 1,415 million euros, respectively).

For its part, “**ListPri**” shall be the arithmetic mean of the average weighted listing prices of the Company’s shares on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges through the Automated Quotation System (Sistema de Interconexión Bursátil) (Continuous Market) during the five trading sessions prior to the relevant resolution adopted by the Board of Directors (with express power of substitution) which determines the number of free-of-charge allocation rights needed for the allocation of one New Share in the relevant Increase in Capital, rounded to the closest one-thousandth part of one euro.

The maximum number of new shares to be issued thus calculated shall be rounded as required to obtain a whole number of shares (with the result being rounded to the next lower integer) and a ratio for the conversion of rights into shares that is also an integer (with the result being rounded to the next higher integer). In addition, and for the same purposes, the Company (or any entity within its group that holds shares of the Company) shall waive the corresponding free-of-charge allocation rights as provided in section 4.2 below.

Furthermore, the gross amount per share of the Dividend in question, or if the requirements of section 277 of the Companies Act are not met in the Second Implementation, the Fixed Purchase Price per free-of-charge allocation right will be that which results from the application of the following formula, rounding the result to the closest one-thousandth part of one euro:

$Dividend \text{ (or, if applicable, Fixed Purchase Price)} = ListPri / (Num. \text{ rights} + 1)$

4.2 Free-of-charge Allocation Rights.

In each of the Increases in Capital, each outstanding share of the Company on the date of implementation of the corresponding Increase in Capital (TNShrs.) shall grant its holder one free-of-charge allocation right.

The number of free-of-charge allocation rights required to receive one New Share in each of the Increases in Capital shall be automatically determined according to the ratio existing between the number of outstanding shares of the Company on the date of implementation of the relevant Increase in Capital (TNShrs.) and the provisional number of New Shares, calculated by using the formula contained in section 4.1 above. Specifically, the holders of free-of-charge allocation rights shall be entitled to receive one New Share for the number of free-of-charge allocation rights held by them, which shall be determined as provided in section 4.1 above (Num. rights).

In the event that the number of free-of-charge allocation rights required for the allocation of one New Share (Num. rights) multiplied by the number of New Shares to be issued (NNS) results in a number that is lower than the number of outstanding shares of the Company on the date of implementation of the corresponding Increase in Capital (TNShrs.), the Company (or such entity within its group, if any, as holds shares of the Company) shall waive a number of free-of-charge allocation rights equal to the difference between both figures for the sole purpose that the number of New Shares be a whole number and not a fraction.

The free-of-charge allocation rights shall be allocated to those who are registered as being entitled thereto in the book-entry records of “Sociedad de Gestión de los Sistemas de Registro,

Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) on the relevant date pursuant to the securities clearing and settlement rules from time to time in effect. In this regard, the Company shall waive the free-of-charge allocation rights corresponding to the shares of the Company that have been retired prior to the date of implementation of the corresponding Increase in Capital if said shares have not yet been removed from the book-entry registers of “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) because the corresponding public instrument formalising the implementation of the resolution approving the reduction in capital has not yet been executed or is still pending registration.

The free-of-charge allocation rights shall be transferable upon the same terms as the shares from which they derive. The free-of-charge allocation rights may be traded on the market during such term as is established by the Board of Directors (with express power of substitution) in implementing the relevant Increase in Capital, which term shall not be less than fifteen calendar days. During such term, a sufficient number of free-of-charge allocation rights may be acquired on the market in the proportion required to receive New Shares. Notwithstanding the foregoing, the free-of-charge allocation rights acquired on the market during the trading period established for this purpose shall not give the acquiring party the right to choose to receive the corresponding Dividend (or, if applicable, to exercise the Purchase Commitment and receive the Fixed Purchase Price). Therefore, the new holders of these free-of-charge allocation rights may only monetise their investment through the sale thereof on the market during said trading period that has been activated for this purpose. Alternatively, they may choose to receive the newly-issued bonus shares to which they are entitled at the end of the aforementioned trading period.

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

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

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

As mentioned above, the free-of-charge allocation rights acquired on the market during the trading period established for this purpose shall not give the acquiring parties the right to choose to receive the Dividend (nor, if applicable, the Fixed Purchase Price). Therefore, the new holders of these rights may only monetise their investment through the sale thereof on the market during said trading period that has been activated for this purpose. Alternatively, they may choose to receive the newly-issued bonus shares to which they are entitled at the end of the aforementioned trading period.

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

Iberdrola assumes no liability for the choices made by the holders of the free-of-charge allocation rights (or for a failure to choose, if an express and valid communication is not received from said holders).

It is also stated for the record that the only period authorised for the holder of free-of-charge allocation rights to communicate to the entities with which their rights are deposited regarding the remuneration options is the Common Election Period, regardless of whether they are institutional or minority holders of rights. Iberdrola assumes no liability for a breach of this period by the depositaries (whether due to not accepting communications during a portion of the Common Election Period or for accepting them after the passage of said period, or for any other reason), for which reason any claim in this regard must be addressed by the shareholders or holders of free-of-charge allocation rights to the depositary in question.

Based on the response of the General Tax Authority (Dirección General de Tributos) (the "DGT") to a request for binding consultation submitted by the Company (the "Consultation")⁴, it is possible that a portion of the free-of-charge allocation rights or of the shares issued in the Increase in Capital in favour of persons subject to the Corporate Income Tax or the Non-Resident Income Tax acting through a permanent establishment in Spain will be subject to some type of deduction or withholding by the Company to be able to make the payment on account of any tax that must be applied to these shareholders by the Company. In any event, the Company shall duly report the details of any such deduction or withholding.

Notwithstanding the foregoing, and without prejudice to the Company using its best efforts to apply said deduction or withholding on the terms determined by the DGT (if any), if the deduction or withholding from the free-of-charge allocation rights or the bonus shares to make the payment on account of the corresponding tax cannot be made due to technical or other reasons, the Company shall assume no liability to the shareholders, holders of the free-of-charge allocation rights or any other third parties who might be affected by this circumstance.

4.3 Balance Sheet for the Transaction and Reserve with a Charge to which the Increases in Capital are Carried Out.

⁴ The Resolution of 5 March 2019 of the Accounting and Statutory Auditing Institute developing the standards for presentation of financial instruments and other accounting aspects relating to the commercial regulation of capital enterprises, which entered into force on 1 January 2020 (the "ICAC Resolution"), affects the accounting treatment of the delivery of free-of-charge allocation rights and of bonus shares. The new accounting treatment may affect the tax treatment of the "Iberdrola Flexible Remuneration" optional dividend system. For these purposes, the Company has submitted a Consultation to the DGT to clarify the potential impact of the ICAC Resolution on the "Iberdrola Flexible Remuneration" system.

The balance sheet used as a basis for the two Increases in Capital is the one for the financial year ended 31 December 2019, duly audited and submitted to the shareholders for approval at this General Shareholders' Meeting under item number one on the agenda.

The Increases in Capital shall be entirely carried out with a charge to the reserves contemplated in section 303.1 of the Companies Act. When implementing each of the Increases in Capital, the Board of Directors, with express power of substitution, shall determine the reserve(s) to be used and the amount of such reserve(s) in accordance with the balance sheet used as a basis for the transaction.

4.4 Representation of the New Shares.

The New Shares will be represented by book entries, the book-entry registration of which is entrusted to "Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U." (IBERCLEAR) and its member entities.

4.5 Rights Attaching to the New Shares.

As from the date on which the relevant Increase in Capital is declared to be subscribed and paid up, the New Shares shall grant the holders thereof the same financial, voting and like rights as the ordinary shares of the Company then outstanding.

4.6 Shares on Deposit.

Once the period for trading the free-of-charge allocation rights during each of the Increases in Capital has ended, the New Shares that could not be allocated for reasons not attributable to the Company shall be kept on deposit for those who provide evidence that they are the lawful holders of the corresponding free-of-charge allocation rights. Once three years have passed from the end of each of the periods for trading the free-of-charge allocation rights, the New Shares issued by virtue of the relevant Increase in Capital that are still pending allocation may be sold in accordance with the provisions of section 117 of the Companies Act, at the expense and peril of the interested parties. The cash amount from such sale shall be deposited with Banco de España or with Caja General de Depósitos at the disposal of the interested parties.

4.7 Application for Admission to Trading.

The Company shall make application for trading the New Shares to be issued as a consequence of each of the Increases in Capital on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (Sistema de Interconexión Bursátil) (Continuous Market), and shall carry out such acts and formalities as are required and submit the documents needed to the appropriate bodies for admission to trading of the New Shares issued as a result of each of the approved Increases in Capital, with an express statement for the record of the Company's submission to the rules that may now or hereafter exist with respect to Stock Exchange matters, and especially regarding trading, continued trading and removal from trading on official markets.

Any subsequent request for removal from trading of the shares of the Company shall be adopted with the same formalities as those that apply to the application for trading and, in such event, the interests of the shareholders opposing or not voting on the resolution to remove shall be safeguarded, in compliance with the requirements set out in applicable law at such time.

5. Implementation of the “Iberdrola Flexible Remuneration” Optional Dividend System Implementations.

Within a period of one year from the date of approval of this resolution, the Board of Directors (with express power of substitution) may set the date on which each of the Implementations must be carried out and set the terms and conditions thereof as to all matters not provided for in this resolution (including, in particular, the Amount of the Option corresponding to each of the Implementations and the Supplementary Dividend).

Furthermore, it is expected that prior to 31 December 2020, the Board of Directors will determine the Interim Dividend to be paid for purposes of the Second Implementation as well as the other conditions applicable to the Interim Dividend, pursuant to the provisions of section 277 of the Companies Act. To this end, and in accordance with the provisions of section 161 of the Companies Act, the shareholders acting at this General Shareholders’ Meeting hereby instruct the Board of Directors, if the requirements established in section 277 of the Companies Act are met, to approve the distribution of the Interim Dividend and set the terms and conditions applicable to the corresponding Dividend Payment, all in order to carry out the Second Implementation.

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

Specifically, the Board of Directors (with express power of substitution) shall analyse and take into account the market conditions, the circumstances of the Company itself or those deriving from an event that has social or financial significance for the Company, and if these or other factors make it inadvisable, in its opinion, to carry out one or both Implementations, it may refrain from doing so. In addition, the resolutions of the shareholders at this General Shareholders’ Meeting relating to the Supplementary Dividend and to the Increases in Capital shall be deprived of any and all effect in the event that the Board of Directors does not exercise the powers delegated thereto or, in the case of the Second Implementation, does not approve the distribution of the Interim Dividend or honour the Purchase Commitment, within a period of one year from approval of the resolutions.

Once the period for trading the free-of-charge allocation rights corresponding to each of the Increases in Capital has ended, the following shall apply:

- (a) The New Shares shall be allocated to those who, according to the book-entry records maintained by “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) and its participants, are the holders of free-of-charge allocation rights in the proportion resulting from section 4 above due to not having waived them upon the terms set forth above.*
- (b) The period for trading the free-of-charge allocation rights shall be declared to have ended and the appropriation of the account(s) with a charge to which the relevant Increase in Capital will be implemented shall be formalised on the books in the respective amount, with which appropriation the Increase in Capital will be paid up.*
- (c) The Company shall pay the Supplementary Dividend or the Interim Dividend (or, if the requirements of section 277 of the Companies Act are not met within the framework of the Second Implementation, the Fixed Purchase Price), as applicable, to the shareholders that have expressly chosen this remuneration option within the period and subject to the terms and conditions determined for these purposes by the Board of Directors (with express power of substitution), pursuant to the provisions of section 2 above.*

Likewise, once each of the periods for trading the free-of-charge allocation rights has ended, the Board of Directors (with express power of substitution) shall adopt the resolutions required to amend the By-Laws so that they reflect the new amount of the share capital and the number of shares resulting from the implementation of the relevant Increase in Capital, and to make application for trading of the resulting New Shares on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market).

6. Delegation to Carry Out Each of the Implementations.

In particular, and by way of example only, the following powers are delegated to the Board of Directors (with express power of substitution):

- (a) To set the date on which each of the Implementations must be carried out, which shall in any case be within a period of one year from the approval of this resolution, and to determine the specific schedule for each of the Implementations.
- (b) As regards each of the Implementations, to set the Amount of the Option, the amount of the Supplementary Dividend (in the case of the First Implementation), the number of New Shares and the number of free-of-charge allocation rights necessary for the allocation of one New Share, applying the rules established by this resolution for such purpose.
- (c) To determine the reserve(s), among those contemplated in this resolution, with a charge to which each of the Increases in Capital will be implemented.
- (d) To designate the company or companies that will assume the duties of agent and/or financial adviser in connection with each of the Implementations, and sign all required contracts and documents for such purpose. In particular, to appoint the entity that must act as paying agent in each of the Dividend Payments.
- (e) To set the duration of the periods for trading the free-of-charge allocation rights corresponding to each of the Increases in Capital.
- (f) As regards each of the Implementations, to set the specific duration of the Common Election Period and the terms and conditions under which the shareholders may state their preferences regarding the receipt of their remuneration (in cash or in New Shares).
- (g) After the Common Election Period for each Implementation has ended, to determine the aggregate gross amount in euros corresponding to the Dividend Payment in question and to make payment thereof through the participants in “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR).
- (h) To declare the Increases in Capital to be closed and implemented, for such purpose setting the number of New Shares actually allocated in each of them, and therefore the amount by which the Company’s share capital must be increased in accordance with the rules established by the shareholders at this General Shareholders’ Meeting, as well as declare, if applicable, the existence of an incomplete allocation of each of the Increases in Capital.
- (i) To rescind the resolution on distribution of the corresponding Dividend with respect to the amounts that were not distributed to those shareholders who elected (expressly or implicitly) to receive New Shares.
- (j) In the case of the First Implementation, to determine the aggregate total amount to be distributed as a dividend with a charge to the results for the financial year ended 31 December 2019 pursuant to the provisions of item number twelve on the agenda (i.e. the final amount of

the Supplementary Dividend), to specify, in view of said amount, the amount of the total basis for distribution established in said item on the agenda to be allocated to remainder, and to complete the resulting proposed allocation of profits/losses and distribution of the dividend for financial year 2019.

- (k) In the case of the First Implementation and if the Board of Directors, with express power of substitution, does not deem it appropriate to implement the First Implementation, in whole or in part, during said period, to determine the aggregate total amount that has been distributed as a dividend with a charge to the results for the financial year ended 31 December 2019 (which shall be equal to the total amount paid on account of the dividend for said financial year), to specify the amount of the total basis for distribution established in said item on the agenda to be allocated to remainder, and to complete the resulting proposed allocation of profits/losses and distribution of the dividend for financial year 2019.*
- (l) To amend the article of the By-Laws setting the share capital such that it reflects the amount of share capital and the number of outstanding shares resulting from the implementation of the relevant Increase in Capital.*
- (m) To waive, if appropriate, and in each of the Increases in Capital, free-of-charge allocation rights to subscribe New Shares for the sole purpose of facilitating that the number of New Shares be a whole number and not a fraction, as well as any free-of-charge allocation rights allocated to shares of the Company that have been retired prior to the date of implementation of the corresponding Increase in Capital if said shares have not yet been removed from the book-entry registers of “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) because the corresponding public instrument formalising the implementation of the resolution approving the reduction in capital has not yet been executed or is still pending registration.*
- (n) If the Purchase Commitment must be honoured within the framework of the Second Implementation due to the requirements of section 277 of the Companies Act for the distribution of the Interim Dividend not having been met, to determine the acquisition by the Company of the corresponding free-of-charge allocation rights, set the period of time during which the Purchase Commitment will be in effect (within the limits established in the resolutions), honour the Purchase Commitment by paying the corresponding amounts to the shareholders who have accepted said commitment, waive the free-of-charge allocation rights owned by the company at the end of the trading period of the Second Implementation as a result of the Purchase Commitment, and thus the New Shares corresponding to such rights, and take any other measures or actions needed to fully honour the Purchase Commitment.*
- (o) To take all steps required for the New Shares to be included in the book-entry records of “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) and admitted to trading on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges through the Automated Quotation System (Continuous Market) after each of the Increases in Capital.*
- (p) To take any actions that are necessary or appropriate to implement and formalise each of the Increases in Capital before any Spanish or foreign public or private entities or agencies, including acts for purposes of representation, supplementation, or correction of defects or omissions that might prevent or hinder the full effectiveness of the foregoing resolutions.*
- (q) In order to facilitate compliance by Iberdrola with the DGT’s answer to the Consultation or any changes that may be made subsequent to the adoption of this resolution to the tax rules applicable to the “Iberdrola Flexible Remuneration” optional dividend system, to approve and*

implement the mechanisms that are necessary or appropriate for these purposes, and particularly (without limitation):

- (i) To deduct or withhold in any way a portion of the free-of-charge allocation rights or of the bonus shares deriving from the Increases in Capital such that the shareholders or owners of the free-of-charge allocation rights do not receive these rights or shares, as applicable.
- (ii) To transfer the free-of-charge allocation rights deducted or withheld on the market in order to make the corresponding payment on account with the proceeds from the sale.
- (iii) To transfer the shares deducted or withheld on the market in order to make the corresponding payment on account with the proceeds from the sale.
- (iv) To acquire the free-of-charge allocation rights deriving from the Increases in Capital (including any that have been deducted or withheld) at a guaranteed fixed price (which must be calculated in accordance with the formula used to determine each of the Dividends (see section 4.1 above)) in order to monetise the rights that may be needed to make any corresponding payment on account.
- (v) To approve and implement such technical or other mechanisms as “Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.” (IBERCLEAR) and the IBERCLEAR participants may deem necessary or appropriate in order to make any corresponding payment on account.

7. Sample Calculation relating to the First Implementation.

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

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

Solely for the purposes of this example:

- The Amount of the Option is 1,435 million euros.
- The TNShrs. is 6,240,000,000 ⁵.
- A ListPri of 11.035 euros is assumed (solely for the purposes of this example, the listing price of the Iberdrola shares at the closing of the trading session of 20 February 2020 has been used as a

⁵ For purposes of this example, it is assumed that this would be the total number of shares of the Company outstanding after the implementation of the reduction in capital provided for in the resolution corresponding to item number eight on the agenda if it is implemented in the total maximum amount thereof (i.e. 6,240,000,000 outstanding shares of the Company).

reference).

Therefore:

<i>Provisional number of shares = Amount of the Option / ListPri</i>	$1,435,000,000.00 / 11.035 = 130,040,779.3384690 = 130,040,779 \text{ shares}$ <i>(rounded downwards)</i>
<i>Num. rights = TNShrs. / Provisional number of shares</i>	$6,240,000,000 / 130,040,779 = 47.98494786008630 = 48 \text{ rights}$ <i>(rounded upwards)</i>
<i>NNS = TNShrs. / Num. rights</i>	$6,240,000,000 / 48 = 130,000,000 \text{ shares}$
<i>Dividend = ListPri / (Num. rights +1)</i>	$11.035 / (48 + 1) = 0.2252040816326530 = 0.225 \text{ euros}$ <i>(rounded to the closest one-thousandth part of one euro)</i>

Therefore:

- (i) *The maximum number of shares to be issued in the First Implementation would be 130,000,000.*
- (ii) *The maximum nominal amount of the increase in capital submitted for approval of the shareholders at the General Shareholders' Meeting under item number thirteen on the agenda would be 97,500,000.00 euros (130,000,000 x 0.75).*
- (iii) *48 free-of-charge allocation rights (or old shares) would be necessary for the allocation of one new share⁶.*
- (iv) *In this example, the Supplementary Dividend would be equal to 0.225 euro (gross) per share."*

In Bilbao, on 24 February 2020

⁶ In this example, the Company (or an entity of its group that holds shares of the Company) would be required to waive 0 free-of-charge allocation rights corresponding to 0 own shares in order for the number of shares to be issued to be an integer.

General Shareholders' Meeting

2 April 2020

Report of the Board of Directors
Proposed Appointment and Re-election
of Directors



MASTER REPORT OF THE BOARD OF DIRECTORS OF IBERDROLA, S.A. REGARDING THE PROPOSED APPOINTMENT AND RE-ELECTION OF DIRECTORS INCLUDED IN ITEMS NUMBER SEVENTEEN TO TWENTY ON THE AGENDA FOR THE 2020 GENERAL SHAREHOLDERS' MEETING

1. Object of the Report.

This report has been prepared by the Board of Directors of IBERDROLA, S.A. ("**Iberdrola**" or the "**Company**") pursuant to the provisions of section 529 *decies* of the *Companies Act (Ley de Sociedades de Capital)* regarding the proposed appointment of Ms Nicola Mary Brewer and Ms Regina Helena Jorge Nunes as new directors, as well as the proposed re-election of Mr Íñigo Víctor de Oriol Ibarra and Ms Samantha Barber as other external director and independent director, respectively.

The appointment of Ms Nicola Mary Brewer and Ms Regina Helena Jorge Nunes is intended to fill the vacancy that will be left with respect to Ms Denise Mary Holt, who tendered her resignation to the Board of Directors in October after reaching seventy years of age, as well as the vacancy that will occur due to the end of the term of office of Ms Inés Macho Stadler, last re-elected as a director at the General Shareholders' Meeting held on 8 April 2016 for the bylaw-mandated four-year term.

In the proposed renewals of the Board of Directors regarding the appointment as directors of Ms Nicola Mary Brewer and Ms Regina Helena Jorge Nunes, as well as those regarding the re-election of Mr Íñigo Víctor de Oriol Ibarra and Ms Samantha Barber as directors of the Company, the Board of Directors has taken into account the conclusions set out in the corresponding proposals (in the case of the three candidates for independent director) and report (in the case of the candidates for other external director) of the Appointments Committee dated today, which are attached as annexes to this document, and which are in favour of the appointments and re-elections of the four candidates.

In general terms, the proposed appointments of Ms Nicola Mary Brewer and of Ms Regina Helena Jorge Nunes as new independent directors are supported by the following arguments: their broad experience and professional background, their training, their knowledge of the operation of the Iberdrola group, and particularly of its businesses in the key British and Brazilian markets, acquired by acting as independent directors at the country subholding companies Scottish Power Ltd. and Neoenergia, S.A., respectively (from which they have announced they will resign prior to the holding of the Company's General Shareholders' Meeting), and their contribution to diversity within the Board of Directors due to their origin and nationality as well as from the viewpoint of gender.

The Appointments Committee also favourably assessed the continuity of Mr Íñigo Víctor de Oriol Ibarra and Ms Samantha Barber as directors based on the positive evaluation of their performance during their entire term, their strategic vision and management capacity, and the continuation of two quite valuable profiles for the Board of Directors, with a broad understanding of the Company and of its group and businesses.

The proposals and the reports of the Appointments Committee, which are attached as annexes to this document, contain the information required by article 14.2.d) of the *Regulations for the General Shareholders' Meeting* in relation to the four candidates.

The Board of Directors finds that with the aforementioned proposals and report, weighed as a whole, there is a strengthening and consolidation on the one hand of the high level of independence of the Board of Directors, and on the other of the diversity of skills, knowledge, experience, origin, nationality, age and gender within the Board of Directors required for the best performance of the duties entrusted

thereto, in accordance with the Sustainable Development Goals (SDGs) approved by the United Nations, and particularly goal five regarding the empowerment of women.

2. Competence, Experience and Merits of Ms Nicola Mary Brewer, Whose Appointment as a Director is Submitted to the Shareholders at the General Shareholders' Meeting.

The competence, experience and merits of Ms Nicola Mary Brewer, whose appointment as a director is submitted to the shareholders at the General Shareholders' Meeting, are described in detail in the proposal of the Appointments Committee attached to this report.

Based on the information set out in the proposal submitted by the Appointments Committee, the Board of Directors has been able to verify that the candidate has the competence, experience and merits required to hold the position of director.

In particular, the Appointments Committee has evaluated the broad experience and professional background of the candidate (especially in the area of international relations), her training, her knowledge of the operation of the Iberdrola group, and particularly of its businesses in the key British market acquired by acting as an independent director at the country subholding company Scottish Power Ltd., as well as her contribution to diversity within the Board of Directors due to her origin and nationality (British) as well as from the viewpoint of gender.

The candidate has been proposed based on the personal and professional qualities thereof. In particular, the Appointments Committee has verified that the candidate can perform the duties thereof without being constrained by relationships with the Company, its significant shareholders or its directors and officers, thus making the candidate deserving of the classification of independent director.

3. Competence, Experience and Merits of Ms Regina Helena Jorge Nunes, Whose Appointment as a Director is Submitted to the Shareholders at the General Shareholders' Meeting.

The competence, experience and merits of Ms Regina Helena Jorge Nunes, whose appointment as a director is submitted to the shareholders at the General Shareholders' Meeting, are described in detail in the proposal of the Appointments Committee attached to this report.

Based on the information set out in the proposal submitted by the Appointments Committee, the Board of Directors has been able to verify that the candidate has the competence, experience and merits required to hold the position of director.

In particular, the Appointments Committee has evaluated the broad experience and professional background of the candidate (especially in relation to the financial industry), her training, her knowledge of the operation of the Iberdrola group, and particularly of its businesses in the key Brazilian market acquired by acting as an independent director at the country subholding company Neoenergia, S.A., as well as her contribution to diversity within the Board of Directors due to her origin and nationality (Brazilian) as well as from the viewpoint of gender.

The candidate has been proposed based on the personal and professional qualities thereof. In particular, the Appointments Committee has verified that the candidate can perform the duties thereof without being constrained by relationships with the Company, its significant shareholders or its directors and officers, thus making the candidate deserving of the classification of independent director.

4. Competence, Experience and Merits of Mr Íñigo Víctor de Oriol Ibarra, Whose Re-election as a Director is Submitted to the Shareholders at the General Shareholders' Meeting.

The competence, experience and merits of Mr Íñigo Víctor de Oriol Ibarra, whose re-election as a director is submitted to the shareholders at the General Shareholders' Meeting, are described in detail in the attached report issued by the Appointments Committee.

Based on the information set out in said report, the Board of Directors has been able to verify that the candidate continues to have the competence, experience and merits required to hold the position of director.

Specifically, the Board of Directors has quite favourably assessed the experience and well-versed knowledge of Mr de Oriol Ibarra regarding Iberdrola and its group, and particularly its businesses, acquired during his long professional association with the Company, as well as the good results of the regular evaluations of his performance as a director of Iberdrola, which will allow him to continue contributing quite positively to the operation of the Board of Directors.

The candidate has been proposed based on the personal and professional qualities thereof. Mr Íñigo Víctor de Oriol Ibarra will continue to be assigned to the category of other external director since more than twelve consecutive years have passed since his first appointment as a director of Iberdrola.

5. Competence, Experience and Merits of Ms Samantha Barber, Whose Re-election as a Director is Submitted to the Shareholders at the General Shareholders' Meeting.

The competence, experience and merits of Ms Samantha Barber, whose re-election as a director is submitted to the shareholders at the General Shareholders' Meeting, are described in detail in the proposal of the Appointments Committee attached to this report.

Based on the information set out in the proposal made by the Appointments Committee, the Board of Directors has been able to verify that the candidate continues to have the competence, experience and merits required to hold the position of director.

Ms Samantha Barber has broad experience in the area of corporate social responsibility and in the Scottish market. Her re-election will also contribute to the goal of diversity of gender, origin and nationality within the Board of Directors.

The Board of Directors has quite favourably assessed Ms Barber's experience and in-depth knowledge of Iberdrola and its group, and particularly its businesses, acquired during her prior terms within the Company, which will allow her to continue to contribute quite positively to the operation of the Board of Directors.

The Board of Directors has also taken into account the good results obtained by the candidate in the regular evaluations of her performance as a director of Iberdrola.

The candidate has been proposed based on the personal and professional qualities thereof. In particular, the Appointments Committee has verified that the candidate can perform the duties thereof without being constrained by relationships with the Company, its significant shareholders or its directors and officers, thus making the candidate deserving of the classification of independent director. Notwithstanding the foregoing, it is reported that on 31 July 2020, Ms Barber will reach twelve years in the position of director of the Company, for which reason she will be reclassified as other external director.

6. Contribution of the Proposed Candidates to the Diversity of Skills, Knowledge, Experience, Origin, Nationality, Age and Gender within the Board of Directors.

Considered as a whole, the four candidates allow for a strengthening of the diversity of skills, knowledge, experience, origin, nationality, age and gender in the composition of the Board of Directors required for the best performance of the duties thereof, in accordance with the Sustainable Development Goals (SDGs) approved by the United Nations, and particularly goal five regarding the empowerment of women.

As described in the proposals and in the report of the Appointments Committee, the four candidates have knowledge and experience in the main countries and sectors in which the Company's group does business, and they are respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability and commitment to the duties of director. All of them are irreproachable professionals, whose conduct and professional track record is aligned with the principles set forth in the *Code of Ethics* and with the corporate values established in the *Purpose and Values of the Iberdrola group*.

Specifically, the various professional profiles and backgrounds of the candidates ensure the contribution of multiple viewpoints and guarantee an enriching debate and a decision-making process without implicit biases.

As already indicated above, the appointment of Ms Nicola Mary Brewer and Ms Regina Helena Jorge Nunes, as well as the re-election of Ms Samantha Barber, also contribute to maintaining the diversity of gender within the Board of Directors, exceeding the objective assumed by the Company that the number of female directors represents at least 30% of all members of the Board of Directors by 2020, as well as goal five of the Sustainable Development Goals (SDGs) approved by the United Nations, regarding the empowerment of women. Specifically, with the proposed appointments and the re-election of the directors referred to above, half of the non-executive directors will be women.

In particular, after the appointment and re-election of the three female directors, more than 40% of the members of the Board of Directors would be women, which also exceeds the percentage that the National Securities Market Commission is considering including in the next reform of the Good Governance Code of Listed Companies.

Furthermore, the proposed appointments and re-elections of the directors achieve a diverse and balanced composition of the Board of Directors as a whole, based on the nature and complexity of the businesses of the Iberdrola group, as well as the social and environmental context in which it has a presence, and contribute to strengthening the diversity of origins and nationalities.

Finally, it is stated for the record that all of the candidates have sufficient knowledge of the Spanish and English languages to be able to perform their duties.

7. Proposed Resolutions.

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

“ITEM NUMBER SEVENTEEN ON THE AGENDA

Appointment of Ms Nicola Mary Brewer as independent director.

RESOLUTION

To appoint Ms Nicola Mary Brewer as director, at the proposal of the Appointments Committee, for the bylaw-mandated four-year term, with the classification of independent director.

ITEM NUMBER EIGHTEEN ON THE AGENDA

Appointment of Ms Regina Helena Jorge Nunes as independent director.

RESOLUTION

To appoint Ms Regina Helena Jorge Nunes as director, at the proposal of the Appointments Committee, for the bylaw-mandated four-year term, with the classification of independent director.

ITEM NUMBER NINETEEN ON THE AGENDA

Re-election of Mr Íñigo Víctor de Oriol Ibarra as other external director.

RESOLUTION

To re-elect Mr Íñigo Víctor de Oriol Ibarra as director, after a report from the Appointments Committee, for the bylaw-mandated four-year term, with the classification of other external director.

ITEM NUMBER TWENTY ON THE AGENDA

Re-election of Ms Samantha Barber as independent director.

RESOLUTION

To re-elect Ms Samantha Barber as director, at the proposal of the Appointments Committee, for the bylaw-mandated four-year term, with the classification of independent director.

ITEM NUMBER TWENTY-ONE ON THE AGENDA

Setting of the number of members of the Board of Directors at fourteen.

RESOLUTION

To set the number of members of the Board of Directors at fourteen.”

8. Composition of the Board of Directors

If all proposed resolutions regarding the appointment and re-election of directors submitted to the shareholders at the General Shareholders' Meeting under items number seventeen to twenty on the agenda were approved, the Company's Board of Directors would be made up of the following fourteen members:

Name	Position	Class
Mr José Ignacio Sánchez Galán	Chairman & CEO	Executive
Mr Íñigo Víctor de Oriol Ibarra	Member	Other external
Ms Samantha Barber	Member	Independent
Ms María Helena Antolín Raybaud	Member	Independent
Ms Georgina Kessel Martínez	Member	Independent
Mr José Walfredo Fernández	Member	Independent
Mr Manuel Moreu Munaiz	Member	Independent
Mr Xabier Sagredo Ormaza	Member	Independent
Mr Juan Manuel González Serna	Lead independent director	Independent
Mr Francisco Martínez Córcoles	Business CEO	Executive
Mr Anthony L. Gardner	Member	Independent
Ms Sara de la Rica Goiricelaya	Member	Independent
Ms Nicola Mary Brewer	Member	Independent
Ms Regina Helena Jorge Nunes	Member	Independent

In Bilbao, on 24 February 2020

ANNEX

PROPOSED APPOINTMENT OF MS NICOLA MARY BREWER AS INDEPENDENT DIRECTOR OF IBERDROLA, S.A., FORMULATED BY THE APPOINTMENTS COMMITTEE

1. Introduction.

Pursuant to the provisions of sections f) and g) of article 4 of the *Regulations of the Appointments Committee* of IBERDROLA, S.A. (“**Iberdrola**” or the “**Company**”), the Appointments Committee (the “**Committee**”) is responsible for submitting to the Board of Directors proposed appointments of independent directors for submission to a decision by the shareholders at a General Shareholders’ Meeting, as well as for verifying compliance with the specific requirements for independent directors provided by law and the Corporate Governance System, and for gathering adequate information regarding their personal qualities, experience, knowledge and effective availability.

Therefore, the purpose of this document is to gather the results of the work performed by the Committee relating to the selection of Ms Mary Nicola Brewer as a candidate for director, as well as to submit the appointment thereof to the Board of Directors, for submission to the shareholders at the General Shareholders’ Meeting, with the classification of independent director.

2. Professional Profile and Biographical Data of the Candidate.

Born in the United Kingdom in 1957.

Was educated at the Belfast Royal Academy and read English at the University of Leeds, graduating with a BA in 1980, then taking a Doctorate in linguistics in 1988. Leeds granted her an Honorary Doctorate of Laws in 2009.

Noteworthy experience for holding this position within Iberdrola

Energy sector.

Ms Brewer is an independent director at Scottish Power Ltd., the country subholding company of the energy businesses in the United Kingdom. While holding this position, she has obtained a first-hand understanding of the operation of the Iberdrola group and the main challenges and opportunities of the energy sector in a key market.

Noteworthy experience in the area of international relations

Ms Nicola Mary Brewer was a diplomat until 2014, having been the Founding Director of the Diplomatic Academy of the Foreign and Commonwealth Office (“**FCO**”) of the British government.

In 2009, she succeeded Mr Paul Boateng as British High Commissioner to South Africa, Swaziland and Lesotho, completing her mission in September 2013.

In December 2006, Ms Brewer was appointed by open competition as the first Chief Executive of the newly established Equality and Human Rights Commission, the successor body to the Commission for Racial Equality, the Disability Rights Commission and the Equal Opportunities Commission, taking up her new position in 2007 and standing down in 2009.

In 2004, she was appointed Director-General for Europe at the FCO, leading the FCO's contribution to the UK's 2005 Presidency of the European Union, advising the Foreign Secretary and the Minister on the European Union and other European policy issues.

She served as the FCO's Director for Global Issues from 2001 to 2002, and then as Director-General for Regional Programmes at the Department for International Development (DfID), the DfID board member supervising the UK's overseas bilateral aid programmes.

Ms Brewer joined the FCO in 1983, completing overseas postings in South Africa, India, France and Mexico.

Other information

She was appointed Companion of the Order of St Michael and St George (CMG) in the 2003 New Year Honours and Dame Commander of the Order of St Michael and St George (DCMG) in the 2011 Birthday Honours.

In May 2014 she was appointed Vice-Provost (International) at University College London.

3. Membership on Other Boards of Directors.

Ms Brewer is a non-executive director of Scottish Power Ltd. and of Aggreko plc.

4. Category to Which the Director Candidate Should Belong.

Ms Nicola Mary Brewer has been proposed based on her personal and professional qualities, after verifying that she can discharge her duties without being constrained by relationships with the Company, its significant shareholders or its directors and officers, thus meriting the classification of independent director.

5. Availability.

Before the beginning of each financial year, the Board of Directors prepares a schedule of regular meetings, both of the full Board and of its committees, accommodating the needs of the Company to the agreed dedication of the directors.

Based on the schedule, the effective availability of the candidate, with an overall estimation of approximately thirty days per year plus the time required to prepare for each meeting and to provide the dedication necessary for the position, has been verified with the candidate.

6. Shares of the Company and Derivative Financial Instruments Whose Underlying Assets are Shares of the Company of Which the Director Candidate is a Holder.

As at the date of this proposal, Ms Nicola Mary Brewer does not hold any shares of the Company.

7. Compliance with the Provisions of the *Board of Directors Diversity and Member Selection Policy*.

Pursuant to the provisions of the *Board of Directors Diversity and Member Selection Policy*, to select Ms Nicola Mary Brewer as a candidate for director, the Committee has evaluated the needs of the Company and of the Iberdrola group, taking into consideration the specific particularities of the businesses thereof and the territories in which it does business, comparing them to the profile of the candidate.

The Committee believes that the Board of Directors should have members with broad experience in the domestic and international energy industry and in the area of international relations, with a deep and thorough knowledge of the British market and of the Iberdrola group, like Ms Brewer.

The appointment thereof will also contribute to strengthening the current high percentage of independent directors and will encourage a diversity of origin, nationality and gender within the Board of Directors.

8. Verification of Compliance with the Requirements to Be a Director of the Company.

The Committee quite favourably values the profile, skills and experience of the candidate for director and, specifically, such director's respectability, capability, expertise, competence, experience, qualifications, education, availability and ability to commit to the duties of the position.

In addition, the Committee has verified that the conduct and professional track record of the candidate for director are fully aligned with the principles contained in the *Code of Ethics* and with the corporate values set out in the *Purpose and Values of the Iberdrola group* and that the candidate has not directly or indirectly incurred any grounds for disqualification from or impediment to the holding of the position.

Therefore, it is deemed to have been verified that the candidate for director meets the general requirements for all directors of the Company as provided by law and the Corporate Governance System.

9. Conclusion.

The Committee has unanimously decided to propose the appointment of Ms Nicola Mary Brewer as a director of the Company, with the classification of independent director, to fill one of the vacancies that will occur at the next General Shareholders' Meeting.

ANNEX

APPOINTMENT OF MS REGINA HELENA JORGE NUNES AS INDEPENDENT DIRECTOR OF IBERDROLA, S.A. PROPOSED BY THE APPOINTMENTS COMMITTEE

1. Introduction.

Pursuant to the provisions of sections f) and g) of article 4 of the *Regulations of the Appointments Committee* of IBERDROLA, S.A. (“Iberdrola” or the “Company”), the Appointments Committee (the “Committee”) is responsible for submitting to the Board of Directors proposed appointments of independent directors for submission to a decision by the shareholders at a General Shareholders’ Meeting, as well as for verifying compliance with the specific requirements for independent directors provided by law and the Corporate Governance System, and for gathering adequate information regarding their personal qualities, experience, knowledge and effective availability.

Therefore, the purpose of this document is to gather the results of the work performed by the Committee relating to the selection of Ms Regina Helena Jorge Nunes as a candidate for director, as well as to submit the appointment thereof to the Board of Directors, for submission to the shareholders at the General Shareholders’ Meeting, with the classification of independent director.

2. Professional Profile and Biographical Data of the Candidate.

Born in Brazil in 1965.

Degree in Business Administration from Mackenzie University. She attended courses in Trade Finance and Corporate Finance at the School of Continuing Studies at New York University, Leadership at Columbia University and International, Global and Multinational Business Development at INSEAD Fontainebleau.

Noteworthy experience for holding this position within Iberdrola

Energy sector.

Ms Regina Helena Jorge Nunes acts as an independent director at Neoenergia S.A., the country subholding company of the energy businesses in Brazil. While holding this position, she has obtained a first-hand understanding of the operation of the Iberdrola group and the main challenges and opportunities of the energy sector in a key market.

She has been an independent director and member of the audit committee of Companhia Distribuidora de Gás do Rio de Janeiro (CEG), the main activity of which is the distribution and retail sale of natural gas in the State of Rio de Janeiro (Brazil).

Noteworthy experience in the finance sector

She has more than 30 years of experience in the domestic and international financial market.

She is currently a partner of RNA Capital and a member of the risk and capital committee of the Bank of Brazil.

She has been a member of the advisory board of Mercado Eletrônico, a company dedicated to electronic B2B commerce.

She served for 20 years at S&P Global Ratings. She was president of operation in Brazil and Argentina, and was Head of the Southern Cone in Latin America, Deputy-Head in Latin America, board member of BRC Ratings (Colombia) and head of Global Development Markets.

Before joining S&P, she also worked at other financial institutions such as Chase Manhattan and Citibank in the areas of credit and risk analysis. At the Commercial Bank of New York, she led the Credit Areas for Latin America and Trade Finance and Risk Areas focused on Latin America.

For three years, she was an independent consultant in Brazil, having worked on privatisation programmes, investments of international funds in the Brazilian market, M&A and financial engineering projects.

3. Membership on Other Boards of Directors.

Ms Regina Helena Jorge Nunes is a non-executive director of Neoenergia S.A.

4. Category to Which the Director Candidate Should Belong.

Ms Regina Helena Jorge Nunes has been proposed based on her personal and professional qualities, after verifying that she can discharge her duties without being constrained by relationships with the Company, its significant shareholders or its directors and officers, thus meriting the classification of independent director.

5. Availability.

Before the beginning of each financial year, the Board of Directors prepares a schedule of regular meetings, both of the full Board and of its committees, accommodating the needs of the Company to the agreed dedication of the directors.

Based on the schedule, the effective availability of the candidate, with an overall estimation of approximately thirty days per year plus the time required to prepare for each meeting and to provide the dedication necessary for the position, has been verified with the candidate.

6. Shares of the Company and Derivative Financial Instruments Whose Underlying Assets are Shares of the Company of Which the Director Candidate is a Holder.

As at the date of this proposal, Ms Regina Helena Jorge Nunes does not hold any shares of the Company.

7. Compliance with the Provisions of the *Board of Directors Diversity and Member Selection Policy*.

Pursuant to the provisions of the *Board of Directors Diversity and Member Selection Policy*, to select Ms Regina Helena Jorge Nunes as a candidate for director, the Committee has evaluated the needs of the Company and of the Iberdrola group, taking into consideration the specific particularities of the businesses thereof and the territories in which it does business, comparing them to the profile of the candidate.

The Committee believes that the Board of Directors should have members with broad experience in the domestic and international energy industry and in the financial industry with a deep and thorough knowledge of the Brazilian market and of the Iberdrola group, like Ms Regina Helena Jorge Nunes.

The appointment thereof will also contribute to strengthening the current high percentage of independent directors and will encourage a diversity of origin, nationality and gender within the Board of Directors.

8. Verification of Compliance with the Requirements to Be a Director of the Company.

The Committee quite favourably values the profile, skills and experience of the candidate for director and, specifically, such director's respectability, capability, expertise, competence, experience, qualifications, education, availability and ability to commit to the duties of the position.

In addition, the Committee has verified that the conduct and professional track record of the candidate for director are fully aligned with the principles contained in the *Code of Ethics* and with the corporate values set out in the *Purpose and Values of the Iberdrola group* and that the candidate has not directly or indirectly incurred any grounds for disqualification from or impediment to the holding of the position.

Therefore, it is deemed to have been verified that the candidate for director meets the general requirements for all directors of the Company as provided by law and the Corporate Governance System.

9. Conclusion.

The Committee has unanimously decided to propose the appointment of Ms Regina Helena Jorge Nunes as a director of the Company, with the classification of independent director, to fill one of the vacancies that will occur at the next General Shareholders' Meeting.

ANNEX

REPORT OF THE APPOINTMENTS COMMITTEE REGARDING THE RE-ELECTION OF MR ÍÑIGO VÍCTOR DE ORIOL IBARRA AS OTHER EXTERNAL DIRECTOR OF IBERDROLA, S.A.

1. Introduction.

Pursuant to the provisions of article 5, sections d) and e), of the *Regulations of the Appointments Committee* of IBERDROLA, S.A. (“**Iberdrola**” or the “**Company**”), the Appointments Committee (the “**Committee**”) is responsible for reporting on proposed re-elections of non-independent directors for submission to a decision by the shareholders at a General Shareholders’ Meeting, as well as for verifying that the director to be re-elected continues to comply with the general requirements for all directors of the Company, pursuant to the provisions of law and the Corporate Governance System, and for gathering adequate information regarding their personal qualities, experience, knowledge and effective availability.

Mr Íñigo Víctor de Oriol Ibarra was last re-elected as a director of Iberdrola for the bylaw-mandated four-year term at the General Shareholders’ Meeting held on 8 April 2016, having been appointed for the first time on 26 April 2006 and re-elected on 29 March 2007 and 22 June 2012.

Given that the term for which Mr de Oriol Ibarra was appointed as a director of Iberdrola ends during this financial year 2020, the Committee has examined the advisability of his re-election and has performed the verifications and evaluations referred to in the aforementioned article of the regulations.

Therefore, the purpose of this report is to gather the results of the work performed by the Committee relating to the potential re-election of Mr de Oriol Ibarra, as well as to report to the Board of Directors, for submission to the shareholders at the General Shareholders’ Meeting, on the re-election thereof with the classification of other external director.

2. Professional Profile and Biographical Data of the Candidate.

Born in Madrid (Spain) in 1962.

Holding a Bachelor of Arts in International Business from Schiller International University (Madrid), he is a graduate of the Executive Corporate Management programme of IESE Business School, and holds the Certified European Financial Analyst (CEFA) diploma from Instituto Español de Analistas Financieros.

Noteworthy experience for holding this position within Iberdrola

He was chair of Electricidad de La Paz, S.A. (Bolivia), of Empresa de Luz y Fuerza Eléctrica de Oruro, S.A. (Bolivia), and of Iberoamericana de Energía Ibener, S.A. (Chile), as well as a member of the board of Neoenergía, S.A. (Brazil), of Empresa Eléctrica de Guatemala, S.A. and of Empresa de Alumbrado Eléctrico de Ceuta, S.A.

He has also been a director of Corporate Governance for the Americas of Iberdrola, director of Management Control at Amara, S.A., and a financial analyst in the Financial Division and the International Division of the Company.

Noteworthy experience in other industries

He was chair of Empresa de Servicios Sanitarios de Los Lagos, S.A. (ESSAL) in Chile.

3. Membership on Other Boards of Directors.

Mr de Oriol Ibarra is not a member of other boards of directors.

4. Category to Which the Director Candidate Should Belong.

Mr Íñigo Víctor de Oriol Ibarra is assigned to the category of other external director since more than twelve consecutive years have passed since his appointment as a director of the Company.

5. Availability.

Before the beginning of each financial year, the Board of Directors prepares a schedule of regular meetings, both of the full Board and of its committees, accommodating the needs of the Company to the agreed dedication of the directors.

Based on the schedule, the effective availability of the candidate, with an overall estimation of approximately thirty days per year plus the time required to prepare for each meeting and to provide the dedication necessary for the position, has been verified with the candidate.

6. Shares of the Company and Derivative Financial Instruments Whose Underlying Assets are Shares of the Company of Which the Director Candidate is a Holder.

As at the date of this report, Mr Íñigo Víctor de Oriol Ibarra is the holder of 1,230,464 shares of the Company, which represent 0.019% of the share capital.

7. Compliance with the Provisions of the *Board of Directors Diversity and Member Selection Policy*.

Pursuant to the provisions of the *Board of Directors Diversity and Member Selection Policy*, in order to determine the appropriateness of re-electing Mr de Oriol Ibarra to the position of director, the Committee has evaluated the needs of the Company and of the Iberdrola group, taking into consideration the specific particularities of the businesses thereof and of the territories in which it does business, comparing them to the profile of the candidate for re-election.

The Committee believes that the Board of Directors should have members with broad experience in the domestic and international energy industry and in the financial industry with a deep and thorough knowledge of the internal operation of the Iberdrola group, like Mr de Oriol Ibarra.

The Appointments Committee also quite favourably assesses the knowledge and experience of the candidate for re-election acquired during his distinguished professional career and as a director and member of some of the consultative committees, as well as the continuation thereof, based on the positive evaluation of his performance during the entire term thereof, his strategic vision and management capacity, and the continuation of a very valuable profile for the Board of extensive, with a broad understanding of the Company and its group and businesses. The Committee thus finds the re-election thereof as a director to be advisable.

8. Verification of Compliance with the Requirements to Be a Director of the Company.

The Committee quite favourably values the profile, skills and experience of the candidate, and specifically such director's respectability, capability, expertise, competence, experience, qualifications, education, availability and ability to commit to the duties of the position, which were verified in each of the annual evaluations of the individual performance thereof.

In addition, the Committee has verified that the conduct and professional track record of the candidate continue to be fully aligned with the principles contained in the *Code of Ethics* and with the corporate

values set out in the *Purpose and Values of the Iberdrola group* and that the candidate has not directly or indirectly incurred any grounds for disqualification from or impediment to the holding of the position.

Therefore, it is deemed to have been verified that the candidate for director meets the general requirements for all directors of the Company as provided by law and the Corporate Governance System.

9. Conclusion.

The Committee has unanimously (except for the candidate for re-election) decided to favourably report on the re-election of Mr Íñigo Víctor de Oriol Ibarra as a director of the Company, with the classification of other external director.

ANNEX

RE-ELECTION OF MS SAMANTHA BARBER AS AN INDEPENDENT DIRECTOR OF IBERDROLA, S.A. PROPOSED BY THE APPOINTMENTS COMMITTEE

1. Introduction.

Pursuant to the provisions of article 5, sections d) and e), of the *Regulations of the Appointments Committee* of IBERDROLA, S.A. (“Iberdrola” or the “Company”), the Appointments Committee (the “Committee”) is responsible for submitting to the Board of Directors proposed re-elections of independent directors for submission to a decision by the shareholders at a General Shareholders’ Meeting, as well as for verifying that the director to be re-elected continues to comply with the general requirements for all directors of the Company, pursuant to the provisions of law and the Corporate Governance System, and for gathering adequate information regarding their personal qualities, experience, knowledge and effective availability.

Ms Samantha Barber was last re-elected as a director of Iberdrola for the bylaw-mandated four-year term at the General Shareholders’ Meeting held on 8 April 2016, having been appointed for the first time on 31 July 2008 and re-elected on 20 March 2009 and 22 June 2012.

Given that the term for which Ms Barber was appointed as a director of Iberdrola ends during this financial year 2020, the Committee has examined the advisability of her re-election and has performed the verifications and evaluations referred to in the aforementioned article of the regulations.

Therefore, the purpose of this document is to gather the results of the work performed by the Committee relating to the potential re-election of Ms Samantha Barber, as well as to submit to the Board of Directors, for submission to the shareholders at the General Shareholders’ Meeting, the re-election thereof with the classification of independent director.

2. Professional Profile and Biographical Data of the Candidate.

Born in Dunfermline (Scotland) in 1969.

She received a Bachelor of Arts in Applied Foreign Languages and European Politics from the University of Northumbria, Newcastle (England, United Kingdom) and has a Post-Graduate degree in EU Law from the University of Nancy (France).

Noteworthy experience for holding this position within Iberdrola

She was a member of the Advisory Council of Scottish Power Ltd. following the integration of the Scottish company into the Iberdrola group.

She is the chair of Scottish Ensemble, member of the Board of Scottish Water and chair of its Remuneration Committee.

Noteworthy experience in other industries

Ms Barber is a mentor member of Critical Eye and member of the GlobalScot Network and of the Advisory Board for the Imperial College London MBA.

She is Vice Chair of the 2020 Group on Climate Change.

She was a consultant within the European Parliament, where she provided support to the Economic and Monetary Affairs Committee, a board member of Business for Scotland, and the chief executive of Scottish Business in the Community.

She was also a member of the Advisory Board of Breakthrough Breast Cancer and of the Board of Directors of Right Track Scotland, an organisation dedicated to advancing educational, training and employment opportunities for youths at risk of social exclusion.

She has experience as an administrator within business organisations promoting corporate social responsibility.

Other information

She was chosen as one of the “Top 100 Women to Watch” according to the FTSE list and Cranfield University, and was a finalist and earned second place in the annual Director of the Year Awards 2012 of IoD Scotland NED.

She performs advisory and business coaching work.

3. Membership on Other Boards of Directors.

Ms Barber is a member of the board of Scottish Water.

4. Category to Which the Director Candidate Should Belong.

Ms Samantha Barber has been proposed based on her personal and professional qualities, after verifying that she can discharge her duties without being constrained by relationships with the Company, its significant shareholders or its directors and officers, thus meriting the classification of independent director. Notwithstanding the foregoing, it is reported that on 31 July 2020, she will reach twelve years in the position of director of the Company, for which reason she will be reclassified as other external director.

5. Availability.

Before the beginning of each financial year, the Board of Directors prepares a schedule of regular meetings, both of the full Board and of its committees, accommodating the needs of the Company to the agreed dedication of the directors.

Based on the schedule, the effective availability of the candidate, with an overall estimation of approximately thirty days per year plus the time required to prepare for each meeting and to provide the dedication necessary for the position, has been verified with the candidate.

6. Shares of the Company and Derivative Financial Instruments Whose Underlying Assets are Shares of the Company of Which the Director Candidate is a Holder.

As at the date of this proposal, Ms Samantha Barber is the holder of 2,023 shares of the Company, which represent 0.000% of the share capital.

7. Compliance with the Provisions of the Board of Directors Diversity and Member Selection Policy.

Pursuant to the provisions of the *Board of Directors Diversity and Member Selection Policy*, in order to determine the appropriateness of re-electing Ms Barber to the position of director, the Committee has evaluated the needs of the Company and of the Iberdrola group, taking into consideration the

specific particularities of the businesses thereof and the territories in which it does business, comparing them to the profile of the candidate for re-election.

The Committee believes that the Board of Directors should have members with experience in the area of corporate social responsibility, like Ms Barber. It also favourably assesses the continuity thereof, based on the positive evaluation of her performance during her entire term, her strategic vision and management capacity, and the continuation of a quite valuable profile for the Board of Directors, with a broad understanding of the Company and its group and businesses.

The Committee thus finds the re-election thereof as a director to be advisable.

The re-election thereof will encourage a diversity of origin, nationality and gender within the Board of Directors.

8. Verification of Compliance with the Requirements to Be a Director of the Company.

The Committee quite favourably values the profile, skills and experience of the candidate, and specifically such director's respectability, capability, expertise, competence, experience, qualifications, education, availability and ability to commit to the duties of the position, which were verified in each of the annual evaluations of the individual performance thereof.

In addition, the Committee has verified that the conduct and professional track record of the candidate continue to be fully aligned with the principles contained in the *Code of Ethics* and with the corporate values set out in the *Purpose and Values of the Iberdrola group* and that the candidate has not directly or indirectly incurred any grounds for disqualification from or impediment to the holding of the position.

Therefore, it is deemed to have been verified that the candidate for director meets the general requirements for all directors of the Company as provided by law and the Corporate Governance System.

9. Conclusion.

The Committee has unanimously decided to propose the re-election of Ms Samantha Barber as a director of the Company, with the classification of independent director.

General Shareholders' Meeting

2 April 2020

Report of the Board of Directors
Proposed Authorisation to Increase
Share Capital |



IBERDROLA

REPORT OF THE BOARD OF DIRECTORS OF IBERDROLA, S.A. REGARDING THE PROPOSED AUTHORISATION TO INCREASE SHARE CAPITAL INCLUDED IN ITEM NUMBER TWENTY-TWO ON THE AGENDA FOR THE 2020 GENERAL SHAREHOLDERS' MEETING

1. Object of the Report.

This report has been prepared by the Board of Directors of Iberdrola, S.A. (“**Iberdrola**” or the “**Company**”) pursuant to the provisions of sections 286, 297.1.b) and 506 of the *Companies Act* in order to provide a rationale for the proposal regarding authorisation to the Board of Directors (with express power of substitution) to increase the share capital, within a term of five years, by up to one-half of the share capital existing at the time of the authorisation, on one or more occasions and at the time and in the amount it deems appropriate, with the power to exclude pre-emptive rights as provided in section 506 of the *Companies Act*.

2. Purpose of and Rationale for the Proposal.

Pursuant to section 297.1.b) of the *Companies Act*, the shareholders at the General Shareholders' Meeting may, by complying with the requirements established for the amendment of the *By-Laws*, delegate to the Board of Directors the power to resolve, on one or more occasions, to increase the share capital up to a given amount, at the time and in the amount the Board decides. The aforementioned legal provision establishes that the aggregate amount of such capital increases may under no circumstances exceed one-half of the share capital of the Company at the time of the authorisation and that they must be made by means of cash contributions within a maximum period of five years from the date that the resolution is adopted by the shareholders at the General Shareholders' Meeting.

The Board of Directors believes that the proposed resolution submitted for approval by the shareholders at the General Shareholders' Meeting is justified by the advisability of making use of the mechanism contemplated by current corporate laws and regulations whereby this body may approve one or more increases in share capital without the need to call and hold a new General Shareholders' Meeting for such purpose. Thus, the aim is to give the Company's Board of Directors greater responsiveness to operate in an environment in which the success of a strategic initiative frequently depends on the ability to deal with it quickly, without incurring the delays and costs associated with holding a General Shareholders' Meeting.

In addition, section 506 of the *Companies Act* provides that, at listed companies, when the shareholders at the General Shareholders' Meeting delegate the power to increase the share capital as permitted by section 297.1.b) of said Act, the Board of Directors may also be given the power to exclude pre-emptive rights when the circumstances described in such section are present.

In this case, the par value of the shares to be issued plus any share premium must be equal to the fair value of the shares of the Company as set forth in the report to be prepared, at the request of the Board of Directors, by a statutory auditor other than the statutory auditor of the Company, appointed for such purpose by the Commercial Registry on each occasion that the Board exercises the power to exclude pre-emptive rights.

The Board of Directors believes that the power to exclude pre-emptive rights, as a supplement to the power to increase share capital, is justified for several reasons. First, it tends to entail a relative reduction in the costs associated with the transaction (including, in particular, the fees of the financial institutions participating in the issuance) as compared to an issuance with pre-emptive rights. Second, it appreciably increases the promptness of action and responsiveness of the Board of Directors, such that the Company may thus take advantage of the times when market conditions are more favourable.

In addition, the exclusion of pre-emptive rights may allow the Company to optimise the financial conditions of the transaction and, in particular, the issue price of the new shares, as it may bring it closer to the expectations of the qualified investors to whom such capital increases are customarily addressed, while reducing execution risks through a lower exposure of the transaction to changes in market conditions.

Finally, it mitigates the effect of distortion in the trading of the Company's shares during the issuance period, which is normally shorter than in the case of an issuance with pre-emptive rights.

In sum, it is a device the use of which in a specific capital increase transaction can be critical to its success and the exclusion of which might entail the loss of manoeuvring capacity and a significant advantage vis-à-vis other companies competing with Iberdrola in raising funds on primary markets.

In any event, the ability to exclude pre-emptive rights is a power that the shareholders acting at the General Shareholders' Meeting delegate to the Board of Directors, and it is within the purview of the Board to resolve in each case, in view of the specific circumstances and the corporate interest and in compliance with legal requirements, whether or not such rights should effectively be excluded.

In the event that the Board of Directors resolves to use the power to exclude pre-emptive rights in connection with a specific capital increase that it may ultimately approve in exercise of the authorisation granted by the shareholders at the General Shareholders' Meeting, a directors' report and a statutory auditor's report shall be prepared as required by section 308 of the *Companies Act*, which shall be made available to the shareholders on the corporate website of the Company and reported to the shareholders at the first General Shareholders' Meeting held after the increase in capital resolution is approved.

On the other hand, pursuant to the provisions of article 6.3 of the Company's *Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors* and in view of the best internationally recognised corporate governance practices and the recommendations set out in the guides of the principal proxy advisors, it is proposed that the authorisation to totally or partially exclude pre-emptive rights in increases in capital carried out pursuant to this authorisation and to the authorisation contemplated in item twenty-three on the agenda be limited, in the aggregate, to 10% of the Company's share capital on the date of adoption of the resolution by the shareholders at the General Shareholders' Meeting. Thus, it is proposed to reduce to one-half –in comparison with the limit approved at the last General Shareholders' Meeting at which such delegations were approved and the limit set forth in the *Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors*– the maximum percentage to which the authorisations of the Board of Directors to increase share capital excluding pre-emptive rights are limited.

The proposal also contemplates making application, when appropriate, for listing of the shares to be issued by the Company under the delegation of powers on Spanish or foreign, official or unofficial, organised or other secondary markets, authorising the Board of Directors to carry out all acts and formalities that may be required for admission to listing with the appropriate authorities of the various Spanish or foreign securities markets.

Finally, all the powers to be granted to the Board of Directors if the resolution proposed herein is adopted shall be granted with express power of substitution, so as to further contribute to achieving the purpose of expediting the proposed transactions.

3. Proposed Resolution Submitted to the Shareholders at the General Shareholders' Meeting.

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

“ITEM NUMBER TWENTY-TWO ON THE AGENDA

Authorisation to increase the share capital upon the terms and within the limits set out by law, with the power to exclude pre-emptive rights, limited to a maximum overall amount of 10% of the share capital.

RESOLUTION

To authorise the Board of Directors to increase the share capital on one or more occasions and at any time upon the terms and within the limits set out in section 297.1.b) of the Companies Act, i.e. within a term of five years from the date of approval of this resolution and by up to one-half of the current share capital.

Increases in share capital under this authorisation shall be carried out through the issuance and flotation of new shares –with or without a premium– the consideration for which shall be cash contributions.

In each increase, the Board of Directors shall decide whether the new shares to be issued are ordinary, preferred, redeemable, non-voting or any other kinds of shares among those permitted by law.

As to all matters not otherwise contemplated, the Board of Directors may establish the terms and conditions of the increases in share capital and the characteristics of the shares, and may also freely offer the new shares that are not subscribed for within the period or periods for the exercise of pre-emptive rights. The Board of Directors may also resolve that, in the event of incomplete subscription, the share capital shall be increased only by the amount of the subscriptions made, and amend the article of the By-Laws relating to share capital.

In connection with the increases in share capital that may be carried out under this authorisation, the Board of Directors is authorised to totally or partially exclude pre-emptive rights as permitted by section 506 of the Companies Act, provided, however, that such power shall be limited to increases in share capital carried out pursuant to this authorisation and to the authorisation contemplated in item number twenty-three on the agenda up to a maximum amount equal, in the aggregate, to 10% of the share capital on the date this resolution is adopted.

The Company shall, when appropriate, make application for listing of the shares issued under this authorisation on Spanish or foreign, official or unofficial, organised or other secondary markets, and the Board of Directors shall be authorised to carry out all acts and formalities that may be required for admission to listing with the appropriate authorities of the various Spanish or foreign securities markets.

Pursuant to the provisions of section 249.2 of the Companies Act, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.”

In Bilbao, on 24 February 2020

General Shareholders' Meeting

2 April 2020

Report of the Board of Directors

Proposed Authorisation to
Issue Convertible and/or
Exchangeable Debentures
and Bonds



REPORT OF THE BOARD OF DIRECTORS OF IBERDROLA, S.A. REGARDING THE PROPOSED AUTHORISATION TO ISSUE DEBENTURES AND BONDS CONVERTIBLE FOR AND/OR EXCHANGEABLE INTO SHARES AND WARRANTS INCLUDED IN ITEM NUMBER TWENTY-THREE ON THE AGENDA FOR THE 2020 GENERAL SHAREHOLDERS' MEETING

1. Object of the Report.

This report has been drawn up by the Board of Directors of IBERDROLA, S.A. (hereinafter, “**Iberdrola**” or the “**Company**”) pursuant to the provisions of sections 511 of the *Companies Act (Ley de Sociedades de Capital)* and 319 of the *Regulations of the Commercial Registry (Reglamento del Registro Mercantil)*, applying the provisions of section 297.1.b) of the *Companies Act* by analogy, to provide a rationale for the proposal regarding authorisation to the Board of Directors (with express power of substitution) such that it may, within a term of five years, issue debentures and bonds that are convertible into and/or exchangeable for shares of the Company or of other companies within or outside of the group of companies of which the Company is the controlling entity, within the meaning established by law (the “**Group**”) and warrants on newly-issued shares or outstanding shares of the Company or of other companies within or outside of its Group.

2. Purpose of and Rationale for the Proposals.

The Board of Directors regards it as highly desirable to have the delegated powers allowed by current legislation in order to be at all times in a position to raise, on the primary securities markets, the funds that are necessary to satisfy the corporate interest.

The purpose of the authorisation to the Board is to provide the Company's decision-making body with the manoeuvrability and responsiveness required by the competitive environment in which the Company operates, in which the success of a strategic initiative or a financial transaction often depends on the possibility of dealing with it quickly, without incurring the delays and costs that inevitably ensue from the call to and holding of a General Shareholders' Meeting. The Board of Directors of the Company will thus be empowered, if necessary, to raise a significant volume of funds within a short period of time. This flexibility and agility is especially desirable in the current economic environment, where changing market circumstances make it advisable for the Board of Directors to have the necessary means to have recourse, at any time, to the different sources of financing available, in order to obtain the most advantageous financial terms.

The issuance of debentures that are convertible into and/or exchangeable for shares is one of the instruments for the financing of companies by raising third-party funds. These securities provide an advantage to both Iberdrola and investors in that they offer investors the possibility of converting their receivables from the Company into shares of the Company, receiving a potential return in excess of that offered by other debt instruments. As for Iberdrola, they may allow it to increase its equity. In addition, the convertible or exchangeable nature thereof means that the coupon on these debentures is generally lower than the cost of simple fixed-income securities and of bank financing, because the interest rate of the debentures reflects the value of the investors' option to convert them into shares of the Company.

For such purpose, pursuant to the provisions of section 319 of the Regulations of the Commercial Registry and of the general rules regarding issuance of debentures, and in accordance with article 17.1.p) of the *By-Laws* which gives the shareholders at the General Shareholders' Meeting the ability to delegate to the Board of Directors the power to issue the negotiable securities covered by the proposal, the resolution proposed under item twenty-three of the agenda is submitted to the shareholders for consideration at the General Shareholders' Meeting.

The proposal specifically grants the Board of Directors the power to issue, on one or more occasions, convertible and/or exchangeable debentures and bonds and warrants entitling the holders thereof to subscribe for newly-issued shares or to acquire shares of the Company or other companies that may then be outstanding and to resolve, when appropriate, to effect the increase in share capital required to accommodate the conversion or the exercise of the option to subscribe for the shares, provided such increase, individually or added to any increases resolved to be carried out in reliance on other authorisations proposed by the Board of Directors to the shareholders at a General Shareholders' Meeting pursuant to the provisions of section 297.1.b) of the *Companies Act*, does not exceed one-half of the Company's share capital at the time of the authorisation. The amount of the increases in capital, if any, carried out to accommodate the conversion or exchange of debentures, warrants or other securities pursuant to this authorisation will be deemed to be included within the limit available at any time to increase the share capital.

The proposed resolution submitted to the shareholders for approval at the General Shareholders' Meeting also establishes the standards to determine the basis for and terms and conditions applicable to the conversion and/or exchange, although it entrusts to the Board of Directors, in the event that it resolves to use this authorisation, the specific determination of some of such terms and conditions in respect of each specific issuance within the limits and in accordance with the standards established by the shareholders at the General Shareholders' Meeting. The Board of Directors shall thus be responsible for, among other things, determining the specific ratio for conversion and, for such purpose, upon approving an issuance of convertible securities in reliance on the authorisation granted by the shareholders at the General Shareholders' Meeting, it shall prepare a report describing the specific basis for and terms and conditions applicable to the conversion, on which the corresponding report of the statutory auditors mentioned in sections 414 and 511 of the *Companies Act* shall be prepared.

Specifically, the proposed resolution submitted by the Board of Directors for approval by the shareholders at the General Shareholders' Meeting provides that, for purposes of the conversion and/or exchange, the securities issued pursuant to the authorisation shall be valued at their nominal amount and the shares at the fixed (determined or determinable) or variable ratio established in the respective resolution of the Board of Directors on the date(s) indicated in the resolution itself, based on the listing price of the Company's shares on the date(s) or during the period(s) used as a reference in the resolution.

In any event, the value may not be less than the average exchange ratio for the Company's shares on the Continuous Market of the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market) in accordance with closing listing prices during a period to be set by the Board of Directors and which shall not be greater than three months or less than five calendar days prior to the date of approval by the Board of Directors of the relevant resolution providing for the issuance of the fixed-income securities or prior to the date of payment for the securities by the subscribers. A premium or discount, as appropriate, on such price per share may also be set.

It may also be resolved that the convertible and/or exchangeable fixed-income securities be issued at a variable conversion and/or exchange ratio. In such case, the price of the shares for purposes of the conversion and/or exchange shall be the arithmetic mean of the closing prices of the shares of the Company on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market) during a period to be determined by the Board of Directors, which shall not be greater than three months or less than five calendar days prior to the date of conversion and/or exchange. A premium or discount, as appropriate, may also be set on such price per share in this case.

In any of the cases described in the two preceding paragraphs, it is provided that, if a discount on the price per share is established, such discount may not exceed 25%.

The Board of Directors thus considers it is given an adequate degree of flexibility to set the value of the shares for purposes of the conversion and/or exchange on the basis of market conditions and other applicable considerations.

Similar standards shall be used, with any changes that may be required and to the extent applicable, for the issuance of debentures (or warrants) exchangeable for shares of other companies (in this case, any references to the Spanish Stock Exchanges shall be deemed to be references to the markets where such shares are listed).

In the case of warrants on newly-issued shares, the rules on convertible debentures set forth in the proposed resolution shall apply, to the extent that they are consistent with the nature thereof.

Furthermore, and as provided in section 415.2 of the *Companies Act*, the resolution authorising the Board of Directors to issue convertible securities provides, for purposes of the conversion thereof, that the nominal value of the debentures may not be less than the par value of the shares. Convertible debentures may likewise not be issued for an amount lower than the nominal value thereof.

In addition, it is stated for the record that the authorisation to issue convertible and/or exchangeable securities as well as warrants or similar securities that may carry the right, directly or indirectly, to subscribe for or acquire shares of the Company includes, pursuant to the provisions of section 511 of the *Companies Act*, the grant to the Board of Directors of the power to totally or partially exclude the pre-emptive rights of the shareholders when so required to raise funds on the markets or otherwise justified by the corporate interest.

The Board of Directors believes that the exclusion of pre-emptive rights allows for a significant reduction in the financial cost and the costs associated with the transaction (including, in particular, the fees of the financial institutions participating in the issuance), as compared to an issue with pre-emptive rights, while causing less distortion in the trading of the shares of the Company during the issuance period.

In sum, the use of this tool within the framework of a specific issue could be crucial to the success thereof, and a failure to provide it could entail the loss of a significant advantage over companies competing with Iberdrola in raising funds on the primary markets.

In any event, pursuant to the provisions of section 511 of the *Companies Act*, in the event that the Board of Directors decides to exclude the pre-emptive rights of the shareholders in connection with a specific issue, it must, when adopting the respective resolution to effect the issue, issue a report specifying the reasons of corporate interest that justify such measure, on which there shall also be prepared the corresponding report of a statutory auditor appointed by the Commercial Registry other than the Company's auditor. This report must contain a technical opinion regarding the reasonableness of the data contained in the Board of Directors' report and regarding the fairness of the conversion ratio and, if applicable, of the adjustment formulas to offset a possible dilution of the financial interest of the shareholders.

In case of the exercise of such power to totally or partially exclude pre-emptive rights, pursuant to the provisions of section 511 of the *Companies Act*, the two reports mentioned in the preceding paragraph shall be made available to the shareholders on the Company's corporate website and disclosed to them at the first General Shareholders' Meeting held after the capital increase resolution is adopted.

On the other hand, pursuant to the provisions of article 6.3 of the Company's *Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors* and in view of the best internationally recognised corporate governance practices and the recommendations set out in the guides of the principal proxy advisors, the authorisation to totally or partially exclude pre-emptive rights in increases in capital carried out pursuant to this authorisation and to the authorisation contemplated in item twenty-two on the agenda is limited, in the aggregate, to 10% of the Company's share capital at the time of adoption of the resolution by the shareholders at the

General Shareholders' Meeting. Thus, it is proposed to reduce to one-half –in comparison with the limit approved at the last General Shareholders' Meeting at which such delegations were approved and the limit set forth in the *Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors*– the maximum percentage to which the authorisations of the Board of Directors to increase share capital excluding pre-emptive rights are limited.

The proposal also contemplates making application, when appropriate, for listing of the convertible and/or exchangeable debentures and/or bonds or warrants to be issued by the Company pursuant to the authorisation on Spanish or foreign, official or unofficial, organised or other secondary markets, authorising the Board of Directors to carry out all acts and formalities that may be required for admission to listing with the appropriate authorities of the various Spanish or foreign securities markets.

Furthermore, it may sometimes be desirable to issue the securities under this proposed resolution through a subsidiary, with the Company acting as guarantor. Accordingly, it is deemed to be of interest for the shareholders at the General Shareholders' Meeting to authorise the Board of Directors to guarantee, in the name of the Company, within the limits describe above, such new issuances of convertible and/or exchangeable fixed-income securities or warrants as may be made by subsidiaries during the effective period of this resolution, in order that the Board of Directors may be granted the utmost degree of flexibility in structuring the issuances of securities in such manner as may be most appropriate in the circumstances.

Finally, all the powers to be granted to the Board of Directors if the resolution proposed herein is adopted shall be granted with express power of substitution, so as to further contribute to achieving the purpose of expediting the proposed transactions.

3. Proposed Resolution Submitted to the Shareholders at the General Shareholders' Meeting.

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

“ITEM NUMBER TWENTY-THREE ON THE AGENDA

Authorisation to issue debentures that are exchangeable for and/or convertible into shares and warrants in the amount of up to 5,000 million euros, for a term of five years, with the power to exclude pre-emptive rights, limited to a maximum overall amount of 10% of the share capital.

RESOLUTION

1. Authorisation to the Board of Directors to Issue Securities.

To authorise the Board of Directors to issue debentures and bonds exchangeable for shares of the Company or of any other company and/or convertible into shares of the Company, as well as warrants (options to subscribe for new shares of the Company or to acquire outstanding shares of the Company or of any other company).

2. Term.

The issuance of the securities covered by the authorisation may be effected on one or more occasions within a maximum period of five years following the date of approval of this resolution.

3. Maximum Amount.

The maximum total amount of the issuance(s) of securities approved under this authorisation shall be up to 5,000 million euros or the equivalent thereof in another currency. For purposes of calculation of the aforementioned limit, in the case of warrants, the sum of the premiums and exercise prices of the warrants on issuances approved under this authorisation shall be taken into account.

4. Scope.

For each issuance, the Board of Directors shall be authorised to, among other things, determine the amount thereof, always within the above-mentioned overall quantitative limit, the place of issuance (in Spain or abroad) and the domestic or foreign currency and, in the case of foreign currency, its equivalence in euros; the specific instrument to be issued, whether bonds or debentures, including subordinated bonds or debentures, warrants (which may in turn be settled by means of the physical delivery of the shares or, if applicable, through the payment of differences in price), or any other form permitted by law; the date or dates of issuance; the number of securities and the nominal value thereof, which, in the case of convertible and/or exchangeable bonds or debentures, shall not be less than the par value of the shares; in the case of warrants and similar securities, the issue price and/or premium, the exercise price (which may be fixed or variable) and the procedure, period, and other terms and conditions applicable to the exercise of the right to subscribe for the underlying shares or, if applicable, the exclusion of such right; the interest rate (whether fixed or variable); the dates and procedures for payment of the coupon; whether the instrument issued is perpetual or subject to repayment and, in the latter case, the period for repayment and the maturity date or dates; guarantees, reimbursement rate, premiums and lots; the form of representation, as securities or book entries; the establishment of anti-dilution provisions; the rules applicable to subscription; the rank of the securities and the subordination clauses, if any; the law applicable to the issuance; the power to make application, where appropriate, for the trading of the securities to be issued on Spanish or foreign, official or unofficial, organised or other secondary markets, subject to the requirements established by applicable regulations in each case and, in general, any other terms of the issuance, as well as, if applicable, the appointment of the security-holders' syndicate representative (comisario) and the approval of the basic rules that are to govern the legal relations between the Company and the syndicate of holders of the securities to be issued in the event that such syndicate must or is decided to be created.

In addition, the Board of Directors is authorised such that, when it deems it appropriate and subject, if applicable, to any appropriate authorisations being secured and to the consent of security-holders coming together at a meeting of the corresponding syndicates of security-holders, it may modify the terms and conditions applicable to the repayment of the fixed-income securities issued as well as the respective period thereof, and the rate of interest, if any, accrued by the securities included in each of the issuances effected under this authorisation.

5. Basis for and Terms and Conditions Applicable to the Conversion and/or Exchange.

In the case of issuance of convertible and/or exchangeable debentures or bonds, and for purposes of determining the basis and terms and conditions for conversion and/or exchange, it is resolved to establish the following standards:

- (a) The securities issued pursuant to this resolution shall be exchangeable for shares of the Company or of any other company and/or convertible into shares of the Company, in accordance with a fixed or variable conversion and/or exchange ratio determined or to be determined, with the Board of Directors being authorised to determine whether they are convertible and/or exchangeable, as well as to determine whether they are mandatorily or voluntarily convertible and/or exchangeable, and if voluntarily, at the option of the holder thereof or of the Company, at the intervals, and during the period established in the resolution providing for the issuance and which, without prejudice to perpetual issuances, may not exceed thirty years from the date of issuance.*

- (b) *In the event that the issue is convertible and/or exchangeable, the Board of Directors may also provide that the issuer reserves the right at any time to elect between conversion into new shares or the exchange thereof for outstanding shares of the Company, with the nature of the shares to be delivered being determined at the time of conversion or exchange, and may also elect to deliver a combination of newly-issued shares and existing shares of the Company and even to pay the difference in cash. In any event, the issuer shall afford equal treatment to all holders of fixed-income securities converting and/or exchanging their securities on the same date.*
- (c) *For purposes of the conversion and/or exchange, the securities shall be valued at the nominal amount thereof and the shares at the fixed exchange ratio established in the resolution of the Board of Directors making use of this authorisation, or at the variable ratio to be determined on the date or dates specified in the resolution of the Board, based on the listing price of the Company's shares on the date(s) or during the period(s) used as a reference in such resolution. In any event, the fixed ratio thus determined may not be less than the average exchange ratio for the shares on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market), in accordance with closing listing prices during a period to be set by the Board of Directors, which shall not be greater than three months or less than five calendar days prior to the date of approval by the Board of Directors of the resolution providing for the issuance of the fixed-income securities or prior to the date of payment of the securities by the subscribers, at a premium or at a discount, as the case may be, on such price per share, provided, however, that if a discount on the price per share is established, it shall not be greater than 25% of the value of the shares used as a reference as set forth above.*
- (d) *It may also be resolved that the convertible and/or exchangeable fixed-income securities be issued at a variable conversion and/or exchange ratio. In such case, the price of the shares for purposes of the conversion and/or exchange shall be the arithmetic mean of the closing prices of the shares of the Company on the Continuous Market during a period to be determined by the Board of Directors, which shall not be greater than three months or less than five calendar days prior to the date of conversion and/or exchange, at a premium or at a discount, as the case may be, on such price per share. The premium or discount may be different for each date of conversion and/or exchange of each issuance (or for each tranche of an issuance, if any), provided, however, that if a discount is established on the price per share, it shall not be greater than 25% of the value of the shares used as a reference as set forth above.*
- (e) *Whenever a conversion and/or exchange is admissible, any fractional shares to be delivered to the holder of the debentures or bonds shall be rounded downwards by default to the immediately lower integer, and each holder shall receive in cash, if so provided in the terms of issuance, any difference that may arise in such case.*
- (f) *In no event may the value of the shares for purposes of the ratio for conversion of debentures into shares be less than the par value thereof. Furthermore, debentures may not be converted into shares if the nominal value of the former is less than that of the latter.*
- (g) *When approving an issuance of convertible and/or exchangeable debentures or bonds under the authorisation granted in this resolution, the Board of Directors shall issue a directors' report, elaborating on and specifying, on the basis of the standards described above, the basis and terms and conditions for conversion and/or exchange that are specifically applicable to the respective issuance. This report shall be accompanied by the corresponding report of the statutory auditors as provided by law.*

6. *Basis for and Terms and Conditions Applicable to the Exercise of Warrants and Other Similar Securities.*

In the case of issuance of warrants, it is resolved to establish the following standards:

- (a) In the case of issuances of warrants, to which the provisions of the Companies Act on convertible debentures shall apply by analogy, the Board of Directors is authorised to determine, in the broadest terms, in connection with the basis for and terms and conditions applicable to the exercise of such warrants, the standards applicable to the exercise of rights to subscribe for or acquire shares of the Company or of another company, or to a combination thereof, arising from the securities of this kind issued under this authorisation. The standards set forth in section 5 above shall apply to such issuances, with such adjustments as may be necessary in order to bring them into compliance with the legal and financial rules governing these kinds of securities.*
- (b) The preceding standards shall apply, with any changes that may be required and to the extent applicable, to the issuance of fixed-income securities (or warrants) that are exchangeable for shares of other companies. Where appropriate, all references to the Spanish Stock Exchanges shall be deemed made to the markets, if any, on which the respective shares are listed.*

7. Admission to Trading.

The Company shall, when appropriate, make application for the admission to trading of the convertible and/or exchangeable debentures and/or bonds or warrants issued by the Company under this authorisation on Spanish or foreign, official or unofficial, organised or other secondary markets, and the Board of Directors shall be authorised as broadly as required to carry out all acts and formalities that may be required for admission to listing with the appropriate authorities of the various Spanish or foreign securities markets.

It is expressly stated for the record that if application is subsequently made for delisting, it shall be made in compliance with the same formalities as the application for listing, to the extent any such formalities are required, and in such case, the interests of the shareholders or debenture-holders opposing or not voting in favour of the resolution shall be safeguarded as provided by applicable law.

In addition, it is expressly stated that the Company undertakes to abide by stock market regulations, whether now existing or as may hereafter be issued, particularly as regards trading, continued trading and removal from trading.

8. Guarantee in Support of Issuances of Convertible and/or Exchangeable Fixed-income Securities or Warrants by Subsidiaries.

The Board of Directors is also authorised to guarantee, on behalf of the Company and within the limits set forth above, new issuances of convertible and/or exchangeable fixed-income securities or warrants carried out by subsidiaries during the effective period of this resolution.

9. Delegation of Powers to the Board of Directors.

This authorisation to the Board of Directors also includes, without limitation, the delegation thereto of the following powers:

- (a) The power of the Board of Directors, pursuant to the provisions of section 511 of the Companies Act, to totally or partially exclude the pre-emptive rights of the shareholders. In any event, if the Board of Directors decides to exclude the pre-emptive rights of the shareholders in connection with any specific issuance of convertible bonds or debentures, warrants and other securities similar thereto that it ultimately decides to effect under this authorisation, the Board shall issue, at the time of approval of the issuance and pursuant to applicable laws and regulations, a report setting forth the specific reasons based on the corporate interest that justify such measure, on which there shall be prepared the corresponding report of a statutory auditor appointed by the Commercial Registry other than the Company's auditor, mentioned in sections 414 and 511 of the Companies Act. Such reports shall be made available to the shareholders and disclosed at*

the first General Shareholders' Meeting that is held following approval of the resolution providing for the issuance.

This power shall in any event be limited to those increases in capital carried out pursuant to this authorisation and to the authorisation contemplated in item number twenty-two on the agenda up to a maximum amount equal, in the aggregate, to 10% of the share capital on the date of adoption of this resolution.

- (b) The power to increase share capital in the amount required to accommodate requests for conversion and/or for exercise of the right to subscribe for shares. Such power may only be exercised to the extent that the Board of Directors, adding the increase in capital effected to accommodate the issuance of convertible debentures, warrants and other similar securities and the other increases in capital approved under authorisations granted by the shareholders at this General Shareholders' Meeting, does not exceed the limit of one-half of the amount of the share capital provided by section 297.1.b) of the Companies Act. This authorisation to increase capital includes the authorisation to issue and float, on one or more occasions, the shares representing such capital that are necessary to carry out the conversion and/or to exercise the right to subscribe for shares, as well as the power to amend the article of the By-Laws relating to the amount of the share capital and, if appropriate, to cancel the portion of such increase in capital that was not required for the conversion and/or the exercise of the right to subscribe for shares.*
- (c) The power to elaborate on and specify the basis for and terms and conditions applicable to the conversion, exchange and/or exercise of the rights to subscribe for and/or acquire shares arising from the securities to be issued, taking into account the standards set out in sections 5 and 6 above.*

Pursuant to the provisions of section 249.2 of the Companies Act, to expressly authorise the Board of Directors to further delegate the powers referred to in this resolution.

10. Revocation of Current Authorisation.

This resolution deprives of effect the authorisation to issue debentures or bonds that are exchangeable for and/or convertible into shares of the Company and warrants on newly-issued or outstanding shares of the Company granted to the Board of Directors by the shareholders at the General Shareholders' Meeting held on 8 April 2016 under item eight on the agenda."

In Bilbao, on 24 February 2020