

General Corporate Governance Policy

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

This *General Corporate Governance Policy* (the “*Policy*”) is an essential piece of the Corporate Governance System and includes the fundamental aspects and commitments of the Company and the Group in this area.

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

Principles of the Policy

1. General Principles

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

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

- a) The good governance recommendations generally accepted in international markets are taken into account in configuring and updating the Corporate Governance System.
- b) The Company conceives of the corporate interest as the common interest of all shareholders of an independent company oriented towards the sustainable exploitation of its corporate object and the creation of long-term value for the shareholders’ benefit, taking into account other stakeholders related to its business activity and to its institutional reality, and especially the legitimate interests of the various communities and territories in which the Company acts and those of its employees.
- c) The Company considers the effective engagement of the shareholders in its corporate life to be a primary objective. For this purpose, upon the proposal of a working committee formed by representatives of the Company, recognised shareholder movements and professionals with particular qualifications and experience in corporate governance, the Board of Directors has approved a *Shareholder Engagement Policy*. It also organises various events and adopts several initiatives to promote such engagement. The General Shareholders’ Meeting is thus celebrated within the framework of Shareholder Day, which is intended to involve the shareholders in the business, corporate and institutional reality of Iberdrola, stimulate two-way interaction between the Company and its shareholders, and encourage their engagement in corporate life.
- d) The Company encourages the informed participation of the shareholders at the General Shareholders’ Meeting and takes proper measures to facilitate the effective exercise by the shareholders at a General Shareholders’ Meeting of the powers they hold under the law and the Corporate Governance System.
- e) Transparency is one of the values making up Iberdrola’s relationships with the markets and with the general public. The Company maintains a corporate website, envisaged as an instrument for channelling its relations with shareholders and investors, as well as the other stakeholders, which is intended to foster their involvement in corporate life. In addition, the Company makes available to its shareholders and investors significant information concerning the running of the Company and its Group, in accordance with the provisions of law and of the Corporate Governance System.
- f) The Board of Directors seeks a proper balance in the composition and the periodic laddered renewal thereof, and has a wide majority of independent directors, with consultative committees that are made up entirely of non-executive directors and chaired by independent directors.
- g) The Board of Directors endeavours to ensure a diversity of nationalities, gender and experience in its composition and in that of its committees and the other decision-making bodies of the Company, as a reflection of the social and cultural reality of the Group.
- h) The Corporate Governance System includes the mechanisms and procedures required to prevent, identify and resolve conflicts of competition and of interest, whether of an exceptional or structural and permanent nature.
- i) The Company seeks to assure, to the extent it is able to do so, the respectability, capability, expertise, competence, experience, qualifications, training, availability and commitment to their duties of the directors and senior officers. The Appointments Committee establishes an annual programme for the evaluation and ongoing review of qualifications and, if appropriate, independence of the directors, as well as of ongoing compliance thereby with the requirements of respectability, capability, expertise, competence, availability and commitment to their duties as directors and as members of a given committee of the Board of Directors.
- j) The Company sets its *Director Remuneration Policy* and its *Senior Officer Remuneration Policy* following principles that combine motivation, loyalty-building and the objective evaluation of management and performance with dedication and achievement of the goals and results of the Company and its Group, within the context of their international activities.
- k) Institutional leadership, the promotion and protection of development initiatives and projects, and the improvement of the Company’s Corporate Governance System, as well as ensuring the proper operation thereof, are entrusted by the Company to the chairman of the Board of Directors.

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- l) The Corporate Governance System duly separates management and supervision functions within the Company and the Group, as well as between the central strategy function and decentralised executive responsibilities, in accordance with the Group's Business Model.
This model makes the decentralised structure compatible with the global integration of the businesses and its focus on maximising operational efficiency through the exchange of best practices among the business units of the various companies within the Group.
- m) The Company's Board of Directors focuses its activity on approving the strategic goals of the Group, on defining its organisational model, and on supervising compliance therewith and further development thereof.
- n) The Company and the Group assume the legally established commitments in connection with the legal and functional separation of regulated companies.
- o) The Company observes the autonomy required for the rest of listed companies of the Group. For these purposes, the Corporate Governance System contemplates the measures that are appropriate to safeguard the interests of the minority shareholders of said companies, which may not be fully aligned with those of the Company.
- p) The Company is permanently committed to the application of ethical governance practices and to the maintenance, development and monitoring of compliance policies at the Group level. This includes compliance with applicable laws and regulations and with risk management policies, endeavouring to ensure that the Group's internal procedures conform to the highest ethical standards. The Compliance Unit ensures the application of such standards, reporting to the Corporate Social Responsibility Committee.
- q) The taxes that the Group pays in the countries and territories in which it does business are its main contribution to the funding of public purpose needs and, accordingly, one of its contributions to society. Iberdrola's *Corporate Tax Policy* includes among its principles that of compliance with applicable tax laws in the various countries and territories in which the Group operates.

Shareholders of the Company

2. Rights and Duties of the Shareholders

Each share of the Company grants the legitimate holder thereof the status of shareholder.

Shareholders must exercise their rights vis-à-vis the Company and other shareholders, and must comply their duties, acting with loyalty, in good faith and transparently, within the framework of the corporate interest as the paramount interest ahead of the private interest of each shareholder and in accordance with law and, to the extent applicable, the Corporate Governance System.

Within this context, the Company facilitates and promotes a responsible exercise of their rights and the performance of their duties by the shareholders and the holders of rights or interests in shares, subject to the above-mentioned principles.

The Company expects shareholders, other persons holding rights or interests in shares of the Company, and, to the extent applicable, intermediary or managing entities or depositaries, to exercise their rights and comply with their duties in accordance with these principles.

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

In this connection, the Company considers that compliance with the duties of transparency established by law and, to the extent applicable, the Corporate Governance System, must be a constant in the full exercise of the shareholder's position and of the rights ensuing from such status.

Specifically, every shareholder and every holder of an interest in shares of the Company or of voting rights therein, even if not a shareholder, must be prepared, as an expression of the holder's commitment to transparency and the corporate interest, to disclose and provide to the Company specific, full, and accurate information on the aspects described below:

- a) In the event of the acquisition of voting rights representing a percentage equal to or greater than one per cent of the share capital, whether the holder is also the full owner of the respective shares or has assumed the risk and peril thereof, as well as the type of instrument used for such acquisition.
- b) In the event that any agreement is executed or any kind of financial instrument is acquired that grants the right to acquire or transfer shares, interests in shares or voting rights or to exercise or control the exercise of voting rights of the Company representing a percentage of the share capital or of voting rights equal to or greater than one per cent, whether individually or in the aggregate, the terms and conditions of such agreement or instrument.
- c) In the event that the threshold of ten per cent and successive multiples of five per cent of the share capital or of voting rights is exceeded, whether the holder has a plan to acquire control of the Company or intends to continue to acquire shares, interests in shares or voting rights, and the periods during which the holder intends to do so, as well as information regarding the funds allocated to the acquisition of the shares, interests in shares or voting rights, charges and encumbrances created on the foregoing and any additional information that may be relevant to assess the nature of the interest acquired and the

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- earnestness of the holder's intentions, and any intention of influencing the composition of the Board of Directors of the Company, its strategy or its financial or management policies, as well as any changes with respect to the foregoing.
- d) In the event that the formal owner of the shares, of the interests in shares, or of the voting rights holds such status in a fiduciary or any other capacity, to disclose to the Company the name of the ultimate and actual owners of the shares, interests in shares or voting rights.

Participation of the Shareholders in the Company

3. Encouragement of Participation in the General Shareholders' Meeting.

The General Shareholders' Meeting is the principal channel of participation of the shareholders in the Company. The General Shareholders' Meeting is held within the framework of Shareholder Day, during which there are several activities seeking to bring the Company closer to the shareholders and encourage a constructive dialogue with them. It is organised in compliance with the provisions of the *Sustainability Policy* in relation to sustainable event management.

In order to encourage their informed and responsible participation at the General Shareholders' Meeting, the Board of Directors approves and makes available to the shareholders, on the occasion of each General Shareholders' Meeting, a *Shareholder's Guide*, which clearly explains the procedures applicable for participation therein, *Implementing Rules for the General Shareholders' Meeting*, which standardises, further develops, adapts and makes more specific the provisions of the Corporate Governance System concerning the exercise of shareholders' rights relating to the holding of the General Shareholders' Meeting, as well as a system for voting and proxy-granting by postal and electronic means and a standard form of attendance, proxy and absentee voting card.

The General Shareholders' Meeting is called as provided by law and in the Corporate Governance System, by means of publication of an announcement in the Official Bulletin of the Commercial Registry (*Boletín Oficial del Registro Mercantil*) and on the Company's corporate website, as well as on the website of the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*). The Company may also disseminate the text of the announcement of the call to meeting, and particularly the more significant items on the agenda, via the Internet.

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

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

4. Policy on Payment of Attendance Bonus

Generally, to encourage the participation of the shareholders at the General Shareholders' Meeting, the Board of Directors shall approve the payment of an attendance bonus for each General Shareholders' Meeting held by the Company, determining the nature and amount thereof. In any case, the amount of the bonus per share at each General Shareholders' Meeting will not be greater than one and a half percent of the nominal value thereof. The decision on whether or not to pay the attendance bonus for a particular General Shareholders' Meeting and the amount thereof will be set forth in the announcement of the call to meeting. The shares included in the list of attendees at the General Shareholders' Meeting shall have the right to receive the attendance bonus. The Board of Directors, or the persons authorised thereby, may decide to pay the bonus to shares not included in the list of attendees, based on the entry thereof into the room after the beginning of the meeting or for other reasons apart from the Company and the Shareholder.

The general principle of paying the attendance bonus cannot be followed if the economic situation of the Company so advises or if there are exceptional and objective circumstances showing that payment of such bonus is not an effective incentive to encourage participation at the General Shareholders' Meeting. If the Board of Directors resolves not to pay an attendance bonus, it shall provide the rationale for its decision at the respective General Shareholders' Meeting.

A change in the policy on payment of attendance bonus described above shall require an express resolution of the Board of Directors. If it is decided to change the policy by eliminating the payment of the bonus for a particular General Shareholders' Meeting, it may not be re-established until the objective circumstances justifying the elimination thereof have changed. In this case, the Board of Directors must explain the reasons motivating the decision on the payment thereof at the next General Shareholders' Meeting.

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

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

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

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

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

The shareholders must exercise these rights with loyalty, in good faith, and within the framework of the corporate interest.

The Company may request the documents and the information necessary to verify that the aforementioned conditions have been satisfied.

The exercise of such rights must be requested by duly authenticated notice to be received at the registered office of the Company within five days of publication of the call to the General Shareholders' Meeting.

The Company shall ensure the dissemination of the items on the agenda and/or the proposed resolutions submitted and the documentation that may be attached thereto in accordance with provisions of law, and in any case as soon as possible, and shall publish a new form of attendance, proxy and absentee voting card that takes into account the items on the agenda and/or the additional proposals.

If such rights are validly exercised, the chair of the General Shareholders' Meeting, making use of the powers vested therein by the *Regulations for the General Shareholders' Meeting*, shall submit to a vote the new items or proposed resolutions after the proposed resolutions submitted by the Board of Directors. In this case, the following rules shall apply in order to determine the direction of the shareholders' votes on those proposals that conflict with other proposals submitted to the shareholders at the same General Shareholders' Meeting:

- a) First, absentee votes cast pursuant to the provisions of the *Regulations for the General Shareholders' Meeting* shall be counted in the direction that is appropriate in accordance with the provisions of the Corporate Governance System and the *Implementing Rules for the General Shareholders' Meeting*.
- b) Second, shareholders (and their proxy representatives) desiring to expressly state the direction of their vote in favour of a specific proposed resolution must so notify the notary public or assistants thereto (or in the absence thereof, the secretary for the General Shareholders' Meeting). It shall be deemed that the shareholders voting in favour of a proposed resolution vote against all the others that conflict therewith.
- c) Third, shareholders desiring to vote in blank or to abstain with regard to all proposed resolutions must proceed in the same manner.
- d) Finally, pursuant to the provisions of letters a) and b), those votes corresponding to all shares represented in person or by proxy, after deducting the votes corresponding to the following, shall be deemed to be votes in favour of the proposal: (i) shares whose holders or proxy representatives have stated that they vote in favour of another conflicting proposal and who vote in blank or abstain from all of them, and (ii) shares whose holders or proxy representatives have left the meeting prior to the voting on the proposed resolution in question and have provided a record thereof to the notary public or assistants thereto (or in the absence thereof, to the secretary for the General Shareholders' Meeting).

6. Information for Shareholders

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

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

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

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

From the date of publication of the call to the General Shareholders' Meeting through and including the fifth day prior to the date set for the meeting to be held on first call, the shareholders may request in writing the information or clarifications that they deem are required, or ask the written questions they deem relevant, regarding the matters contained in the agenda of the call to meeting. In addition, upon the same prior notice and in the same manner, the shareholders may request data or clarifications or ask written questions regarding the information accessible to the public that has been sent by the Company to the National Securities Market Commission since the holding of the last General Shareholders' Meeting. In order to facilitate the exercise of such right, information may be requested by delivering the request at the registered office or by sending it to the Company by postal or electronic correspondence in the manner established by the Board of Directors when calling each General Shareholders' Meeting.

In addition to the publication of the announcement of the call to meeting by the means prescribed by law, the Company may use the services of agencies, financial institutions and intermediaries for purposes of improved distribution of information among its shareholders and all those with a right thereto or interest therein, even if not shareholders.

It is a priority objective of the Company for all shareholders to be able to exercise their right to receive information through the Company's corporate website, and, with such end in mind, it provides technological means on the website that facilitate access by persons with disabilities.

7. Attendance at the General Shareholders' Meeting

All shareholders who are duly accredited in the manner allowed by law or the Corporate Governance System have the right to attend the General Shareholders' Meeting, with no minimum number of shares being required for such purpose.

The Company encourages the attendance of the shareholders at the General Shareholders' Meeting by holding it on premises that offer the best conditions for the progress and monitoring thereof, with a large capacity, and located in the centre of the city where the registered office is situated. If necessary, provision is made for use of supplemental locations to attend the General Shareholders' Meeting that are connected with the main site by video conference systems that allow recognition and identification of the parties attending, permanent communication among the attendees regardless of their location, and participation and voting.

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

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

8. Rights to Proxy Representation and to Absentee Voting

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

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

9. Other Aspects of the General Shareholders' Meeting

It falls upon the chair of the General Shareholders' Meeting, who will generally be the chairman of the Board of Directors, assisted by the secretary (who will also generally be the secretary of the Board of Directors), and the presiding committee (*mesa*) of the General Shareholders' Meeting, to order and direct the meeting in accordance with the provisions of the *Regulations for the General Shareholders' Meeting*, indicate the time for voting, establish the voting systems and procedures, determine the system for counting and calculating the votes and announcing the outcome.

The chair of the General Shareholders' Meeting may also appoint a representative of the Company to make an organised presentation to the General Shareholders' Meeting on those questions or considerations that the Company's shareholders have submitted to the Company during the course of Shareholder Day or through other channels of participation and that the chair of the General Shareholders' Meeting deems appropriate to present. Said representative may also present other questions raised by those attending the General Shareholders' Meeting who prefer not to use their right to personally participate in the meeting.

10. Delegation of Powers to Issue Shares or Securities Convertible into Shares

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

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

11. Communication Channels with Shareholders and Investors

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

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

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

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

- a) The Office of the Shareholder (*Oficina del Accionista*). From the call to the General Shareholders' Meeting to the end thereof, the shareholders can rely on the support of the Office of the Shareholder, which has a specific site for such purpose at the premises where the meeting is held in order to resolve any issues that the attendees may raise prior to the commencement of the meeting, as well as to serve and provide information to the shareholders who wish to use the floor.
- b) The Investor Relations Office (*Oficina de Relaciones con Inversores*). This responds on a regular and personalised basis to the questions of analysts and institutional and qualified investors in equities, fixed-income securities and socially responsible investments.

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

12. Other Channels of Participation for the Shareholders

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

a) On-Line Shareholders (OLS)

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

b) Activities organised by the Office of the Shareholder

The Office of the Shareholder is in contact with those shareholders who voluntarily enter their names in its database, and provides a specific service to minority shareholders for the organisation of presentations and events prior to the General Shareholders' Meeting.

It also organises thematic in-person sensitivity and engagement workshops at which debate is encouraged and information is provided regarding issues relating to the activities of the Company, mainly in the area of its corporate social responsibility strategy.

c) Shareholders' Club (*Club del Accionista*)

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

d) Relations with Significant Shareholders

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

The Board of Directors and the Committees of the Board

13. The Board of Directors

The Board of Directors has the broadest powers and authority to manage and represent the Company.

Pursuant to the Corporate Governance System, the Board of Directors focuses its activity on approving the strategic goals of the Group, on defining its organisational model and on supervising compliance therewith and further development thereof. The Board of Directors may rely on the Executive Committee to perform this supervisory duty.

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

14. Composition of the Board of Directors

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

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

The Board of Directors ensures, in the exercise of its powers and without prejudice to the powers of the shareholders at the General Shareholders' Meeting, that independent directors are a large majority of the Board of Directors and that the number of executive directors is the minimum number necessary, taking into account the complexity of the Group. In addition, the Board of Directors ensures that a proper equilibrium exists between proprietary and independent directors, reflecting, to the extent possible, the proportion existing between the voting share capital represented by proprietary directors and the rest of the share capital.

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

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

15. Selection and Appointment of Directors

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

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

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

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

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

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

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

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

Finally, both the chairman of the Board of Directors and chief executive officer as well as the senior officers and other persons holding key positions have a person who can replace them in their positions in the event of a limited absence. Each of the replacements has been chosen based on the personal and professional competence required to hold the position.

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

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

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

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

In addition, the directors shall be given access through the directors' website to the minutes of the meetings of the Board of Directors and the committees thereof, as well as such other information that the Board of Directors resolves to include.

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

17. Duties and Obligations of Directors

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

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

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

This duty of diligence also includes the duty to inform the Board of Directors of any irregularities in the management of the Company of which the directors may have had notice, and to monitor any situation of risk.

- (ii) Duty of confidentiality, which requires them to refrain from disclosing any information to which they may have had access while in office, even after the director no longer holds such position.
- (iii) Duty not to compete, while in office and for a term of two years following the end of their tenure as directors, during which time they may not be directors or officers of or render services to other companies having a corporate purpose that is similar, in whole or in part, to that of the Company, or that compete with it, with the exceptions set forth in the Corporate Governance System. Directors must disclose to the Company all the positions they hold and the activities they carry out at other companies or entities, as well as their other professional commitments and any significant change in their professional status.
- (iv) Duty of loyalty, which includes the obligations to report any conflict of interest and to refrain from participating in deliberations relating thereto, to submit their transactions with companies of the Group to prior approval, and to inform the Company of any fact or event that may be relevant to their activities as director. It also includes a prohibition against using corporate assets (including confidential information) in order to obtain any financial benefit and against taking advantage of business opportunities for their own benefit or for the benefit of related parties. Finally, directors must submit their resignation to the Board of Directors in cases of disqualification, lack of competence, supervening prohibition against performing the duties of director and other instances established in the Corporate Governance System.

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

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

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

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

18. Director Remuneration

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

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

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

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

19. Meetings of the Board of Directors

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

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

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

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

20. Positions on the Board of Directors

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

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

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

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

b) Business CEO (*consejero-director general de los negocios del Grupo*)

The Board of Directors has an executive director who acts as Business CEO, with overall responsibility for all of the businesses of the Group.

c) Lead Independent Director

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

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

d) Secretary of the Board of Directors

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

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

21. Checks and Balances System

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

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

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



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

22. Committees of the Board of Directors

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

a) Executive Committee

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

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

b) Consultative Committees

The Board of Directors also has the following non-executive consultative committees:

- (i) The Audit and Risk Supervision Committee, whose general duty is to supervise the effectiveness of internal control at the Company and its Group, as well as of its risk management systems, the activities of the Internal Audit Area, which is functionally controlled by such Committee, the activities and independence of the auditor, and the process of preparing economic and financial information.
- (ii) The Appointments Committee, with information, advisory and proposal-making powers in connection with the composition of the Board of Directors and of the committees thereof, the process for appointment to internal positions on the Board of Directors and of senior officers, the selection of candidates for the position of director, and the evaluation, re-election, removal and cessation of directors.
- (iii) The Remuneration Committee, with information, advisory and proposal-making powers in connection with the remuneration of directors and senior officers.
- (iv) The Corporate Social Responsibility Committee, whose general duty is to promote the Company's strategies in the areas of corporate social responsibility, sustainability, corporate reputation and corporate governance and to supervise compliance with the Corporate Governance System.

Iberdrola and the Group

23. Corporate and Governance Structure and Business Model of the Group

The corporate organisation of the Group, which forms an essential part of the Corporate Governance System, is comprised of:

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

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

Based on this corporate configuration, the Group's governance model is governed by the principles described below, which duly distinguish between day-to-day and effective management duties, on the one hand, and supervision and control duties, on the other:

- a) Vesting within the Company's Board of Directors of powers relating to approval of the strategic goals of the Group, the definition of its organisational model and the supervision of compliance therewith and further development thereof.
- b) Assumption by the chairman of the Board of Directors & CEO, with the technical support of the Operating Committee, by the Business CEO, appointed to this position by the Board of Directors, with overall responsibility for all of the businesses of the Group, and by the rest of the management team, of the duty of organisation and strategic coordination within the Group.
- c) The function of strategic organisation and coordination is also strengthened through country subholding companies in those countries in which the Board of Directors of the Company has so decided. These entities group together equity stakes in the energy head of business companies carrying out their activities within the various countries in which the Group operates. This structure is rounded out with a country subholding company that groups together certain equity interests in other entities, including the non-energy head of business companies, with a presence in various countries. One of the main functions of the country subholding companies is to centralise the provision of services common to the head of business companies, always in accordance with the provisions of applicable law and especially the legal provisions regarding the separation of regulated activities.

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

Country subholding companies are responsible for disseminating, implementing, and supervising the general strategy and the basic management guidelines at the country level with respect to the head of business companies grouped within each of them, taking into account the characteristics and unique aspects thereof.

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

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

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

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

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

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

Within the Group's corporate and governance structure, the Operating Committee is an internal committee of the Company, the essential function of which is to provide technical, information and management support to the chairman of the Board of Directors and chief executive officer, in order to facilitate the development of the Group's Business Model.

24. Entities in the Nature of Foundations Related to the Iberdrola Group

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

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

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

Corporate Website

25. Corporate Website

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

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

The Board of Directors shall promote the use of the corporate website to facilitate the exercise of the shareholders' rights to receive information and to participate in connection with the General Shareholders' Meeting and the corporate governance of the Company, upon the terms provided by law and the Corporate Governance System.

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

The Company shall promote the accessibility of the corporate website.



Compliance System and Code of Ethics

26. Compliance Unit

The Company's compliance system is made up of all of the rules, formal procedures and significant actions intended to ensure its conduct in accordance with ethical principles and applicable law, as well as to prevent 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 (the "Compliance System").

The Company has a Compliance Unit, which is a collective internal and permanent body linked to the Company's Corporate Social Responsibility Committee, responsible for proactively ensuring the effective operation of the Compliance System, for which purpose it has broad powers, budgetary autonomy and independence of action.

The Compliance Unit has a director of compliance, who has the status of director of the Compliance Unit.

The Compliance Unit annually evaluates the effectiveness of the Compliance System of the Company and of the other companies of the Group, with the collaboration of the various compliance departments, and prepares a report with the results of said evaluation.

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

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

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

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

27. Code of Ethics

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

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

28. Ethics Mailboxes

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

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

This *General Corporate Governance Policy* was initially approved by the Board of Directors on 18 December 2007 and was last amended on 19 December 2017.

ANNEX I. Self-organisation Rules of the Board of Directors

Succession Plan for Non-Executive Directors

Each of the non-executive directors undertakes to tender their resignation to the Board of Directors at the first meeting it holds after they reach seventy years of age or twelve years as a directors of the Company.

Cessation in office of a director as provided in the preceding paragraph shall not give rise to the right to receive any severance payment for this reason.

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

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

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

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

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

Within a period of not more than thirty days from the chairman of the Board of Directors and chief executive officer giving early notice of his desire to resign from his position, the committee shall provide to the Board of Directors a specific proposal regarding the replacement thereof, which must take into consideration the special personal and professional skills of the candidate and the ability thereof to led the development and implementation of the strategic plan in effect. In particular, the committee shall favourably value those candidates that are directors or officers of the Company or of other companies of the Group and that have been linked thereto as directors or employees for at least five years.

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

Limits on Travel by the Members of the Board of Directors using the same Means of Transport

The following mandatory limitations are established regarding travel by the members of the Board of Directors using the same means of transport.

- a) One-half or more of the total number of members making up the Board of Directors at any time may not travel together on the same means of transport.
- b) To the extent that circumstances permit, efforts shall be made to ensure that the chairman of the Board of Directors travels using a means of transport different than that used by the vice-chairman and the lead independent director, if any. If there are several vice-chairmen, this rule shall be applied such that at least one of the vice-chairmen must travel separately.
- c) The rule described in letter b) above shall apply for the secretary and deputy secretaries of the Board of Directors.
- d) Likewise, more than two members of the Executive Committee should not travel on the same means of transport as the chairman or the lead independent director.

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

IT Security and Privacy Rules

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

- a) Directors must follow the instructions established and communicated to them by the Company concerning access, security, operation and use of the hardware and software, including computer programs, access to websites, applications and mobile communication devices.
- b) Directors must first inform the Company of the use of private data transmission devices with capability to access the Company’s systems and applications and must follow the compatibility and confidentiality instructions established for such purpose by the Company.
- c) At the meetings of the Board of Directors and of the committees thereof, as well as at any other meeting in which the directors of the Company participate in their capacity as directors, they shall observe the security and privacy protocols established by the Company, which may provide that mobile telephones and data transmission devices in general are to be switched off during the entire duration of such meetings, as well as restrictions on receiving or making calls or connections during the meetings.

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

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