

**REGULATION OF THE
BOARD OF
DIRECTORS OF
IBERDROLA MÉXICO,
S.A. DE C.V.**

April 11, 2019



REGULATION OF THE BOARD OF DIRECTORS OF IBERDROLA MÉXICO, S.A. DE C.V.

PRELIMINARY TITLE

Article 1. Purpose

1. This Regulation of the Board of Directors (the “Regulation”) of Iberdrola México, S.A. de C.V. (the “Company”) constitutes its specific and particular arrangement, developing and complementing the legal and statutory provisions applicable to the Board of Directors of the Company, taking into account its character as a subholding company in Mexico.

2. The Regulation, which is part of the Corporate Governance System of the Company, contains the basic rules of its organization and operation and the rules of conduct that its members must observe, in order to achieve the maximum degree of transparency, effectiveness, dynamism, supervision, and control in the performance of its management and responsibilities, as well as in the achievement of social interest.

3. In preparing this Regulation, good governance recommendations generally recognized in international markets have been taken into account.

4. The guidelines for action and the rules for the organization and operation of the administrative bodies of the subsidiaries in which the Company participates shall be governed by their corresponding regulations. However, said rules shall comply with the principles set forth in this Regulation, without prejudice to the adjustments that may be necessary depending on the circumstances of each company and, in any case, shall comply with the guarantees required by the Corporate Governance System of the Society and the principles of coordination and information by which the relations between the administration and management bodies of the different subsidiaries of the Company must be governed, so that they can fully fulfill their respective responsibilities.

Article 2. Scope of application:

1. This Regulation applies to the Board of Directors of the Company, to its Audit and Compliance Committee and other internal committees of the Board of Directors that, where appropriate, may be constituted.

2. The persons to whom this Regulation is applicable shall have the duty to know it, to comply with it and enforce it. For these purposes, the Secretary of the Board of Directors shall provide them with a copy with acknowledgment of receipt, include it on the directors' website, if any, and publish it on the corporate website of the Company that may be created.

3. The members of the Board of Directors must comply with and enforce the provisions of the Company's Corporate Governance System and confirm said commitment in writing by accepting their appointment or re-election in the manner determined by the Secretary of the Board of Directors.

Article 3. Priority and Interpretation.

1. The Regulation of the Board of Directors develop and complement the applicable legal and statutory regulations, which shall prevail in case of contradiction with the provisions thereof, and shall be interpreted pursuant to the Corporate Governance System of the Company.

2. The Board of Directors shall resolve the doubts or divergences that arise in its application or interpretation.

TITLE I. PRINCIPLES OF ACTION

Article 4. Fidelity, Social Interest

1. The members of the Board of Directors shall develop their functions and competences with the unity of purpose, independence of criteria and fidelity to the social interest.

2. In accordance with the social interest, the Board of Directors shall establish the appropriate framework for relations

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with the group of companies made up of Iberdrola, S.A. and other companies controlled, directly or indirectly, by Iberdrola, S.A. (the “**Iberdrola Group**”), acting within the legal limits and always preserving autonomy in the management and ordinary and effective management of the Company, without prejudice to collaborating in a general strategy in order to obtain the maximum possible benefits for both the Company and the other companies integrated in the Iberdrola Group, pursuant to the provisions, in particular, in the *Corporate Bylaws*, in the *Purpose and Values of Iberdrola Group*, and in the corporate policies related to corporate governance and regulatory compliance, risks and social responsibility integrated into the Corporate Governance System, where functions are duly differentiated, on the one hand of ordinary management and effective management and, on the other, those of supervision and control.

3. In this sense, the Board of Directors shall be responsible for implementing and ensuring the monitoring of the general policies, strategies and guidelines of the Iberdrola Group by the parent and the companies directly or indirectly invested by the Company (Iberdrola Mexico Group), facilitating the coordination of these companies, all without prejudice to the autonomy of decision of each of them and the requirements imposed on their administrators by law and those derived from the Corporate Governance System, in the interest of all companies integrated in the Iberdrola Group.

4. The Board of Directors shall ensure that, concerning other interested parties, the Company respects the laws and regulations, fulfills its obligations and agreements in good faith, respects the uses and good practices of the sectors and territories in which it operates and observes those additional principles of social responsibility that it would have voluntarily accepted.

TITLE II. STRUCTURE AND COMPETENCES

Article 5. Structure.

1. The administration of the Company is attributed to a Board of Directors, its chairman and, if applicable and agreed so by the Board of Directors, to a Chief Executive Officer.

Article 6. Powers of the Board of Directors.

1. The Board of Directors is competent to adopt agreements on all kinds of matters that are not attributed by law or the bylaws to the General Shareholders' Meeting.

2. The function of disseminating, implementing and ensuring the follow-up of the policies, strategies and general guidelines of the Iberdrola Group in Mexico, in the parent companies of the subholding businesses through the Company and in the other companies directly or indirectly by the Company, facilitating the coordination of these companies, all without prejudice to the autonomy of decision of each of them and the requirements imposed on its administrators by law and those derived from the Corporate Governance System, in the interest of all the companies integrated in the Group.

3. Without prejudice to the non-delegable powers provided for in the law and in the internal regulations of the Company, the Board of Directors, as a general rule, shall entrust the management and ordinary management of the Company to the executive directors and members of the management, fundamentally focusing its activity in the general supervisory function and in the consideration of those matters of particular importance to the Company.

4. In particular, the Board of Directors, in addition to the powers and attributions arisen from the law and bylaws, shall have the following powers by way of example and without limitation:

4.1. Within its powers of dissemination and implementation of the strategy:

a) Implement and disseminate the strategy of the Iberdrola Mexico Group and the general policy lines of the Company, develop the programs and set objectives for the performance of all activities included in the corporate objecte, all without prejudice to the general strategy of Iberdrola Group, for the benefit of both the Company and the other companies integrated in the Iberdrola Mexico Group.

b) Approve, as well as adopt any significant modification in:

- The business plan (including the annual financing strategy) of the Company and the Iberdrola Mexico Group;
- The budget of the Company, in which the budgets previously approved by the parent companies of the Iberdrola

Mexico Group shall be incorporated;

- The annual and multiannual investment plans of the Company and the Iberdrola Mexico Group.
- c) Promote and supervise the management of the Company, as well as the fulfillment of the established objectives. Likewise, supervise the general development of the management guidelines and strategies of the Iberdrola Group in Mexico by the subsidiaries of the Iberdrola Mexico Group, establishing the appropriate mechanisms for the exchange of information in the promotion of the interests of the Company and of the entities that are part of the Iberdrola Mexico Group.
- d) Identify the main risks of the Company and organize the appropriate internal control and information systems, as well as carry out periodic monitoring of said systems, taking into account the risk policies of the Iberdrola Group.
- e) Define and coordinate, within the legal limits, the general administration guidelines of the Iberdrola Mexico Group, entrusting to the decision-making bodies and the management of the subsidiaries of the Iberdrola Mexico Group the responsibilities of daily management and the effective direction of each of its subsidiaries.
- f) Disseminate, implement and ensure the monitoring of the policies, strategies, and general guidelines of the Iberdrola Group in Mexico, taking into account their characteristics and singularities.

4.2. Concerning Business Transactions

- a) Approve, in accordance with the procedures established by the Iberdrola Group, the creation or acquisition of interests in special purpose entities or entities registered in countries or territories considered tax havens, as well as any other transaction or operation of a similar nature that, by its complexity may reduce the transparency of the Iberdrola Mexico Group.
- b) Authorize the disposition of substantial assets of the Company and, in general, investments or operations of all kinds that, due to their high amount or special characteristics, are strategic for the Company (and whose approval, in accordance with the provisions of the law and the Bylaws, the General Shareholders' Meeting does not apply), among which are the industrial, commercial or financial operations of special relevance or risk to the Company, establishing, where appropriate, the position of the Company with respect to its controlled companies, in the aforementioned matters and operations, notwithstanding that the administrative body may require for these decisions, for purely internal purposes, the authorization of the General Shareholders' Meeting.
- c) Agree on the operations of a merger, spin-off, global assignment of assets and liabilities or concentration in which any of the companies in which the Company participated is affected.
- d) Approve the acquisition or sale of assets or properties, whether business or shares, by a company integrated in the Iberdrola Mexico Group (other than Iberdrola Generación México, S.A. de C.V. and Iberdrola Renovables México, S.A. de C.V.), provided that the value of the consideration, the value of marking, the current value of the business, the total value of the debts of the business that is transmitted, total value of any liabilities (other than debt) linked to the business or (regardless of the foregoing) the value Current net of the business if this is negative, exceed the figure of 6 million USD.
- e) Per the policies of the Iberdrola Group, authorize:
 - i. Proposals for the acquisition or disposal of a share in the ordinary capital of another company that requires its public announcement in accordance with the regulations applicable to any stock exchange in which the securities of Iberdrola or any other market regulatory authority are quoted (subject to any other requirements imposed by the regulations applicable to the stock exchange or the competent regulatory authority, such as the approval of shareholders).
 - ii. Any other operation that requires a public announcement under the regulations applicable to any stock exchange in which the securities of Iberdrola or any other regulatory authority of the market are quoted (subject to any other requirements imposed by the regulations applicable to the stock exchange securities or the competent regulatory authority, such as shareholder approval).

4.3. Of a financial nature

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- a) Formulate the financial information referred to in Title VI of the Bylaws.
- b) Define the accounting criteria to be followed by the Company and the significant changes therein, always in accordance with accounting principles and standards generally accepted in Mexico.
- c) Review and approve, where appropriate, the report prepared by the Commissioner of the Company, in relation to the progress of the business and the financial situation of the Company and the Iberdrola Mexico Group.
- d) Make proposals to the shareholders of the Company regarding the distribution of dividends and, where appropriate, agree to pay amounts on dividends.

4.4. Capital structure

- a) Agree the presentation to the General Shareholders' Meeting of the Company any proposal to modify the share capital of the Company.
- b) Approve the modification of the capital stock of any subsidiary of the Company for an amount greater than \$ 6 million USD.
- c) Authorize the creation of any new subsidiary that involves the issuance of capital stock above \$ 6 million USD.
- d) Agree on the issuance of obligations or other loans that are not in favor of another company of the Iberdrola Mexico Group and whose value exceeds the figure of US \$ 6 million, or any significant variation in the terms of said loans.
- e) Approve the issuance of shares in any subsidiary, joint venture or associate of the Company (understood as the companies that have been identified as such in the most recently published accounts and reports of the Company) that implies the loss of control of the entity corresponding to the ownership of the Iberdrola Mexico Group.
- f) Authorize any modification of the parent/subsidiary shareholding structure within the Iberdrola Mexico Group that implies the dissolution, with or without liquidation, of the main subsidiaries of the Company (as defined above), except as specifically agreed by the company Board of directors.

4.5 Regarding Agreements and other Commitments

- a) Authorize the issuance by the Company of any guarantee or other contractual support, ratification or commitment in favor of a third party, guaranteeing any company outside the Iberdrola Group or when, even in the case of a company of the Iberdrola Group, it is under the scope of responsibility of another Financial Center - Treasurer other than that of the Company. For these purposes, the Financial Center - Treasurer shall be understood as the teams of persons assigned to the finance and treasury function in the different countries, which carry out the financial-treasure tasks entrusted within the scope of their responsibility.
- b) Approve the constitution of mortgages, charges, encumbrances or other real guarantees on the business, property or assets of the Company (except in substitution of an existing real guarantee).
- c) Agree on the disbursement of investment items of any subsidiary of the Company (other than Iberdrola Generación México, S.A. de C.V. and Iberdrola Renovables México, S.A. de C.V. and its subsidiaries) above \$ 6 million USD.
- d) Authorize the exercise of any item of operating expense that any subsidiary company (other than Iberdrola Generación México, S.A. de C.V. and Iberdrola Renovables México, S.A. de C.V. and its subsidiaries) does not specifically cover what is provided for in the rest of this section, provided that the total amount to be paid (without discount) during the minimum contractual period exceeds \$ 6 million USD.
- e) Approve the acquisition of a property by any of its subsidiaries (other than Iberdrola Generación México, S.A. de C.V. and Iberdrola Renovables México, S.A. de C.V. and its subsidiaries):
 - If it is in full control, for a price greater than 6 million USD.
 - If it is on a lease basis, for a total income, over the minimum duration of the lease, exceeding \$ 6 million USD.

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f) Agree to the execution of any agreement of any subsidiary of the Company (other than Iberdrola Generación México, S.A. de C.V. and Iberdrola Renovables México, S.A. de C.V. and its subsidiaries) that is not specifically covered by the provisions of the rest of this section and that is significant. For these purposes, “significant” means any agreement that exceeds the figure of 6 million USD:

- i. The price or market value of the assets subject to acquisition or disposal;
- ii. The income generated by these assets;
- iii. The expenses incurred for said assets;
- iv. The obligation or compensation associated with such assets.

4.6 Regarding directors and executives:

a) Propose to the shareholders of the Company the appointment or dismissal of any member of the Board of Directors, in accordance with the Bylaws, as well as the corresponding agreements concerning their remuneration.

b) Appoint and renew internal positions within the Board of Directors, as well as the members and positions of commissions established within the Board of Directors.

c) Appoint the directors who must perform executive functions and dismiss them, setting the remuneration that corresponds to them for their executive functions and the other conditions that their contracts must respect, in pursuant to the provisions of the law.

d) Agree, at the proposal of the first executive, the appointment and dismissal of the management team of the Company, as well as to establish the basic conditions of their contracts, their eventual compensation, compensation, in the case of dismissal, in accordance with the legal provisions applicable. For these purposes, those who have a direct dependency of the Board of Directors and, in any case, the Director of the Internal Audit Area and the Director of Compliance of the Company shall be considered the management team.

e) Make proposals to the shareholders of the Company concerning the appointment or revocation of the appointment of the commissioner, the auditors of the Company or their principal advisors, as well as the consideration of each of them.

4.7. Other Competences

a) Make proposals to the shareholders of the Company concerning the amendment of the Bylaws.

b) Adopt decisions regarding matters of strategic importance at the Iberdrola Group level in Mexico.

c) Determine the sense in which the votes corresponding to the shares of which as a holder should be cast.

d) Examine and adopt decisions regarding potential conflicts of interest, significant operations and transactions between related parties between the companies of the Iberdrola Mexico Group.

TITLE III. BASIC ORGANIZATION AND OPERATING RULES FOR THE BOARD OF DIRECTORS

Article 7. Composition of the Board of Directors

1. The Board of Directors shall consist of a minimum of three directors and a maximum of ten, who shall be appointed by the General Shareholders' Meeting, subject to the legal and statutory requirements that may apply, and least one of them the qualification of independent director per the provisions of article 30 of the *Corporate Bylaws*.

2. The determination of the number of directors within the minimum and maximum referred to in the previous section shall correspond to the General Shareholders' Meeting. Notwithstanding the foregoing, the Board of Directors must propose to the General Shareholders' Meeting the number of directors who, per the circumstances affecting the Company and taking into account the maximum and minimum outlined in the previous section, may be more suitable for the effective functioning of the organ.

3. The members of the Board of Directors:

- a) They may or may not be shareholders of the Company.

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b) They will occupy their position for one year; nevertheless, they will continue in the performance of their functions, even when the term for which they were appointed ends until new appointments are made and the persons appointed as new directors take office.

c) They may be re-elected or revoked at any time.

4. In particular, the members of the Board of Directors may be removed from their positions at any time by the General Shareholders' Meeting and must formalize their resignation when they incur in any event of incompatibility or prohibition for the performance of the position of administrator provided by law.

Article 8. Types of directors

1. The qualification of the candidates to be members of the Board of Directors shall correspond to the General Shareholders' Meeting, pursuant to the types of directors set forth in article 30 of the bylaws.

2. The appointment of independent directors by the General Shareholders' Meeting shall be made at the proposal of the Iberdrola Appointments and Remuneration Committee taking into account their personal and professional conditions and, in particular, their experience in relation to the corporate purpose, their relationship with the geographical areas in which the Company carries out its activities and its independence of criteria to meet the social interest.

3. The director's qualification shall not affect the autonomy with which they shall have to exercise the functions of their office and therefore their duties of diligence and loyalty to the Company.

Article 9. Titles of the Board of Directors

1. In the absence of appointment by the General Shareholders' Meeting, the Board of Directors, in its first session immediately after the General Shareholders' Meeting that has appointed it, will appoint the president from among its members and may appoint one or more vice-presidents. The Board of Directors may also designate the secretary and the pro-secretary, who may or may not be members of the Board of Directors, and shall also designate the persons who occupy the other positions created for the best performance of their duties.

2. Copies or records of the minutes of the meetings of the Board of Directors and the General Shareholders' Meeting, as well as of the entries contained in the books and non-accounting social records and, in general, of any document in the Company's archive, shall be authorized by the secretary, by the pro-secretary or by any member of the Board of Directors designated for such purposes.

Article 10. Call of the Board of Directors

1. The Board of Directors shall meet as often as it sees fit and at least once a quarter. The calendar of ordinary sessions shall be set by the Board of Directors itself before the beginning of each fiscal year and may be modified by agreement of the Board of Directors itself.

2. The call of the meetings of the Board of Directors shall be carried out by email or by any other means that allows it to be recorded and shall be authorized with the signature of the chairman, or that of the secretary or pro-secretary, by order of the chairman. The call shall be taken in advance so that the directors receive it no later than the third day before the date of the session. The call shall always include the agenda of the session and be accompanied, where appropriate, by the information deemed necessary. Both for the purpose of the call and in general of any communication to the directors, the email address provided by the director shall be provided to the Company at the time of acceptance of their position, and the Company must be notified of any changes in this regard.

3. Notwithstanding the foregoing, the Board of Directors shall be deemed validly constituted without the need for a call if all the directors unanimously accept the holding of the session as universal and the items on the agenda to be discussed.

Article 11. The venue of the meetings of the Board of Directors

1. The sessions will be held at the Company registered office or place, within Mexico or abroad, per indicated in the call.

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2. The Board of Directors may also be held in several places connected by teleconference, videoconferencing or telepresence systems, or any others that allow the recognition and identification of the attendees, the permanent communication between the participants regardless of where they are, as well as the intervention and vote casting, all in real-time. Attendees, whatever the place they are in, shall be considered, for all purposes related to the Board of Directors, as attendees to the only session. The session shall be deemed held where the majority of the directors attend to and, equal to the number, where the director presiding over the session is present.

Article 12. Constitution and Majority for the adoption of Agreements

1. For the sessions of the Board of Directors to be valid, the assistance of the majority of its members shall be mandatory, and its resolutions shall be valid when taken by a majority of the members. In case of a tie, the Chairman of the Board of Directors shall have a casting vote.

2. In addition to the Secretary of the Board of Directors, any delegate specially appointed for this purpose shall be entitled to appear before a notary public in order to fully or partially legalize the agreements, if necessary.

3. The resolutions of the Board of Directors may, however, be adopted without the need to hold a session, by unanimous written consent of all its members. The resolutions thus adopted shall have the same legal value and effects as the other resolutions adopted during sessions of the Board of Directors. The unanimous resolutions adopted outside the session of the Board of Directors shall be transcribed in the corresponding minutes' book and the respective record may be signed by the Chairman or by the Secretary of the Board of Directors, or may even be kept in separate files under the responsibility of the Secretary of the Board of Directors. In addition to the Secretary of the Board of Directors, any delegate specially appointed for this purpose shall be entitled to appear before a notary public in order to fully or partially legalize the agreements, if necessary.

Article 13. Chair of the Meetings of the Board of Directors

1. The Chairman, or in their absence, the Assistant Chairman, shall preside over the sessions of the Board of Directors, and shall fulfill its agreements without the need for any special resolution.

2. The Chairman of the session shall organize the debate by promoting the participation of all the directors in the deliberations of the body.

3. The Chairman may invite all those who can contribute to improving the information of the directors to the meetings of the Board of Directors or certain items on the agenda.

Article 14. Minutes of the meetings of the Board of Directors

The minutes of each session of the Board of Directors shall be recorded in a specially authorized book and shall be signed by the chairman and secretary or by those who, in the absence of these, perform their duties.

Article 15. Managing Director

1. The Board of Directors, upon proposal of the Chairman, and with the favorable vote of two-thirds of the directors, may appoint, among the directors, a Managing Director, with the powers it deems appropriate and are delegable pursuant to these bylaws, as well as to the legal provisions.

2. The position of Managing Director may also be held by the Chairman of the Board of Directors.

3. It shall be up to the Managing Director, if appointed, to promote the concrete application of corporate policies and basic management guidelines at the country level, to represent the Company before national institutions, as well as to perform those other functions determined by the Board of Directors, always acting under its supervision.

Article 16. Board of Directors Committees

The Board of Directors shall permanently establish a Committee that shall be called the Audit and Compliance Committee, whose organization and operation shall be governed in addition to the provisions of this Regulation, as provided for in the bylaws and in the Regulation of the Audit and Compliance Commission, and may also create other

internal committees or commissions with the functions of consultation, advice, and formulation of reports or proposals that the Board of Directors itself determines.

Article 17. Composition of the Audit and Compliance Committee

1. The Audit and Compliance Committee shall consist of three directors, appointed by the Board of Directors, of which at least one of them shall be an independent director.
2. The Audit and Compliance Committee shall have a chairman and a non-board secretary who shall be appointed by the members of said Committee.
3. The directors who are members of the Audit and Compliance Committee shall hold their position while their appointment as directors of the Company remains in effect unless the Board of Directors agrees otherwise.
4. The Company shall have a Compliance Directorate, which is configured as an independent internal area, linked to the Audit and Compliance Committee, with powers in the field of regulatory compliance and the prevention and correction of illegal or fraudulent behavior.

Article 18. Powers and Operation of the Audit and Compliance Committee

1. The Audit and Compliance Committee of the Company, as well as the Internal Audit Directorate and the Compliance Directorate, shall exercise their functions with full autonomy, without prejudice to the establishment of an appropriate framework for collaboration and information on the development of their functions with the Audit and Risk Supervision Commission, with the Corporate Social Responsibility Commission, with the Internal Audit Area and with the Iberdrola Compliance Unit, in particular, in the Commission's relations with the Audit and Risk Supervision Committee of Iberdrola shall be per the *General Framework for coordination and information relations between the audit commissions of Iberdrola, S.A. and its group* approved by the Board of Directors of Iberdrola.
2. The Audit and Compliance Committee shall, in any case, have the following functions:
 - a) Concerning the Internal Audit Directorate:
 - i. Ensure the independence and effectiveness of the Internal Audit Directorate of the Company, ensuring that it has sufficient resources and the appropriate professional qualification for the optimal performance of its functions and, furthermore, that the basic Internal Audit Standard of the Iberdrola Group is met.
 - ii. Approve the orientation and annual plans of action of the Internal Audit Directorate of the Company pursuant to the guidelines and general plans established by the Internal Audit Area of Iberdrola, ensuring that it exercises its powers proactively and in a way that its activity is focused on the relevant risks of the Company and the Iberdrola Mexico Group, as well as receiving periodic information from the Internal Audit Directorate.
 - iii. Propose the budget of the Internal Audit Directorate of the Company, for approval by the Board of Directors.
 - iv. Propose to the Board of Directors the appointment and separation of the head of internal auditing. For the elaboration of said proposal, the Chairman of the Commission shall hold the pertinent consultations with the head of the Internal Audit Area of Iberdrola, informing the Commission thereof.
 - v. Evaluate the operation of the Internal Audit Directorate and the performance of its manager. The Commission shall annually validate the objectives of the Internal Audit responsible, prior to being submitted to the Board of Directors.
 - vi. The evaluation shall be constructive and shall include an assessment of the degree of compliance with the objectives and the criteria established to set the variable components of the remuneration of the Director of Internal Audit, in whose determination the Commission must also participate.
 - vii. The conclusions of the evaluation carried out by the Commission shall be submitted to the Board of Directors to be taken into account when determining their remuneration. The person responsible for Internal Audit shall also be informed.
 - viii. To guide and supervise the activities of the Internal Audit Directorate of the Company, which will functionally

depend on the Chairman of the Committee and hierarchically on the Chairman of the Board of Directors, and who will prepare the necessary information in relation to this matter for the sessions of the Committee, which he will attend whenever the president considers it appropriate. Likewise, the Internal Audit Department must inform the Commission of the incidents that occur in the development of its annual work plan, presenting at the end of each year a report of activities that will also be transferred to the Director of the Audit Area Iberdrola intern.

ix. Verify, with the reports of the Internal Audit Directorate, that the directors of the Company take into account the conclusions and recommendations of their reports, which shall be the normal instance of communication between the Commission and the rest of the organization of the Company, notwithstanding the provisions of section b) iii) hereunder in the area of risk management. The Internal Audit Directorate shall prepare the information required in the sessions of the Commission, with its director attending these, if the Commission deems it appropriate.

b) Regarding internal control and risk management systems:

i. Know and review internal control systems associated with the risks of the Company and its subsidiaries, ensuring its adaptation to the global processes and systems established by the Iberdrola Group, supervising the unit that has the competence to actively participate in the implementation of the global risk strategy of the Iberdrola Group, as well as in the execution of said implementation within the Iberdrola Group in Mexico.

ii. Ensure, in accordance with the General Policy of control and risk management of the Iberdrola Group, so that the main risks of the Company and its subsidiaries are properly identified, managed and inform, at least based on the foregoing : the different types of risk (operational, technological, financial, legal, reputational, etc.) that the Company and its subsidiaries face, including financial or economic, contingent liabilities, and other off-balance sheet risks; the establishment and revision of the map and of the levels of risk that the Company considers acceptable; the measures planned to mitigate the impact of the identified risks, should they materialize; and the internal information and control systems that shall be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

iii. Analyze with the account auditors the significant weaknesses of the internal control system detected in the development of the audit, all without breaking their independence. For such purposes, where appropriate, may submit recommendations or proposals to the Board of Directors and the corresponding period for follow-up.

iv. Maintain the corresponding relationships with the unit responsible for risk management of the Company. To this end, said unit shall be the ordinary channel of communication with the Commission and the other organizations of the Company in relation to risk management, being also responsible for the preparation of the information required in the sessions held in relationship with this matter, with the assistance of the head of the unit to the meetings of the Commission, if deemed appropriate.

v. Promote, always within their powers, a culture in which risk is a factor that is taken into account in all decisions and at all levels in the Company.

vi. Identify and assess emerging risks, such as those derived from technological, climatic, social, regulatory, and reputational risks, as well as existing warning mechanisms, periodically evaluating their effectiveness.

vii. Within the framework of the supervision of the effectiveness of internal control and risk management systems, issue, at least every six months, a report to the Board of Directors on the internal control and risk management systems of the Company and of its subsidiaries, which the President of the Commission, in the framework of the coordination and information relations established in the Iberdrola Group, will subsequently make available to the Chairman of the Audit and Risk Supervision Committee of Iberdrola in order to allow This last commission will fulfill the functions entrusted to it in relation to the internal control and risk management systems of the Iberdrola Group.

c) Regarding the audit of accounts:

i. To propose to the Board of Directors, regarding the auditor of accounts of the Company appointed by the General Shareholders' Meeting, the conditions for their hiring pursuant to the Hiring Conditions Policy and relations with the auditor of Iberdrola accounts, acting for these purposes in interest of the Company and of the other companies integrated in the Iberdrola Group.

ii. Ensure the independence of the account auditors, receiving from these, information on those issues that may pose

a threat to such independence, as well as the absence of causes of prohibition or incompatibility.

iii. Receive regular information from the account auditors, on any aspects that are provided for in the accounts audit legislation and in the technical auditing standards in force at any time, establishing for these cases the adequate channels of information between the Internal Audit Directorate of the Company and the Internal Audit area of Iberdrola.

iv. In any case, the Commission shall receive annually from the account auditors written confirmation of its independence from the Company or entities directly or indirectly from it, as well as detailed and individualized information of the additional services of any kind provided to these entities by the account auditors, or by the persons or entities linked to them pursuant to the provisions of the regulations governing the activity of auditing accounts.

v. Issue annually, prior to the account audit report, a report that shall express an opinion on whether the independence of the account auditors is compromised. This report shall include a reasoned assessment and must, in any case, rule on the provision of the additional services referred to in preceding section (iii), individually considered and as a whole, other than the legal audit and in relation to the independence regime or with the regulatory standards which govern the audit of accounts.

vi. Receive information on the additional services of the audit of accounts of any kind that the auditing firm of the Company shall provide to the Company or its subsidiaries. The Commission shall prepare a report for the Board of Directors of the Company and shall make it available to the Chairman of the Audit and Risk Supervision Committee of Iberdrola for the appropriate purposes.

vii. Review the content of the accounts audit reports before issuance, in order to avoid qualifications and evaluate the results of each account audit, supervising the Company's management responses to its recommendations.

viii. Serve as a communication bridge between the Board of Directors and the account auditors, from whom the Commission shall regularly receive information on the audit plan and the results of its execution.

d) Regarding the process of preparing economic-financial information:

i. Supervise the process of preparation and presentation, the clarity and integrity of the related economic-financial and non-financial information related to the Company and its subsidiaries, receiving for that purpose the appropriate information of the audit commissions that may exist in the head companies of the subholding businesses through the Company. The Commission must ensure that the intermediate financial information submitted to the Board of Directors of the Company is prepared using the same accounting criteria as the annual financial reports.

ii. The Commission shall evaluate any proposal on changes in accounting practices and policies within the Group's general accounting practices and policies and present recommendations or proposals to the Board of Directors, aimed at safeguarding the integrity of their application. This supervisory work of the Commission must be carried out continuously and, in a timely manner, at the request of the Board of Directors.

iii. The Commission shall prepare a report for the Board of Directors on annual accounts and quarterly and semi-annual financial information. Said report shall be made available to the Chairman of the Audit and Risk Supervision Committee of Iberdrola in order to allow the latter to supervise the process of preparation and presentation of the economic-financial information related to the Iberdrola Group, as well as its integrity.

iv. The financial information for the Consolidation must be informed by the Commission before being submitted for approval by the Board of Directors of the Company pursuant to the provisions of the Iberdrola Group's Financial Information Preparation Policy.

v. Gather information on the identification adjustments by the accounting auditor or resulting from the revisions made by the Internal Audit Area and the position of the management team on said adjustments.

vi. Monitor compliance with legal requirements and the correct application of national and international accounting and financial information principles and standards that apply to annual financial information.

vii. Inform the Board of Directors about the bases that must be respected in the transactions made between the Company and its subsidiaries and the rest of the companies integrated with the Iberdrola Group, all for the sake of

protecting the social interest.

e) Regarding compliance with legal and good governance requirements and with the prevention and correction of illegal or fraudulent behavior:

i. Receive and analyze the resolutions issued by the Compliance Directorate in relation to irregularities or acts in violation of the law or the rules of the Corporate Governance System that affect members of the Board of Directors and propose their removal from title or any other measure deemed appropriate, according to the conclusions reached in the processing of the file.

ii. Receive information from the Compliance Directorate regarding any relevant issue in view of the regulatory compliance and the prevention and correction of illegal or fraudulent behavior.

iii. Issue its prior opinion on the report on the effectiveness of the compliance system of the Company and the parent companies of the businesses dependent on it and convey it to the Board of Directors for its information.

iv. Receive information from the Compliance Directorate on matters related to the effectiveness of the Company's Compliance System.

v. Review, through the Compliance Directorate, the internal policies and procedures of the Company to verify its effectiveness in preventing inappropriate behaviors, such as the Company's Ethical Mailbox and the suppliers' Ethical Mailbox, and identify possible policies or procedures that are more effective in promoting the highest ethical standards, for their elevation to the Board of Directors.

vi. Review and validate the annual operating budget of the Compliance Directorate, prior to its elevation to the Board of Directors, and supervise that the Compliance Directorate has the necessary human and material resources for the fulfillment of its functions, ensuring its independence and efficiency.

vii. Evaluate the operation of the Compliance Directorate and the performance of its director. Each year the Commission shall validate the objectives of the Compliance Director prior to being submitted to the Board of Directors.

viii. The conclusions of the evaluation carried out by the Commission shall be submitted to the Board of Directors to be taken into account when determining their remuneration. The Director of Compliance Audit shall also be informed.

ix. Approve the annual activity plan of the Compliance Directorate.

x. Inform the proposals for the appointment of the head of the Compliance Directorate.

xi. Inform the Board of Directors about the proposed modifications to the Regulation of the Company's Compliance Directorate.

f) Regarding the assumptions of irregular or inappropriate conduct in the financial and accounting field.

i. Establish and supervise, in coordination with the mechanisms established by Iberdrola, the ways that allow the professionals of the Company to communicate to the Audit and Risk Supervision Committee of Iberdrola, confidentially and, if deemed appropriate, anonymously, irregularities of potential importance, especially financial and accounting, that warn within the Company, respecting in any case the fundamental rights of the parties involved and the regulations on protection of personal data.

ii. Ensure that precise investigations are carried out against third party claims against the Company or irregular or anomalous conduct, pursuant to the provisions of the previous number.

g) In relation to special purpose entities or domiciled in tax havens or territories included in the blacklist¹ of non-cooperating jurisdictions of the European Union:

i. Inform the Board of Directors, prior to the adoption by the latter of the corresponding decisions, of the creation or

¹ On December 19, 2017, the Official Journal of the European Union published the conclusions of the European Council on the European Union's list of non-cooperative countries and territories for tax purposes, which were reflected in the ECOFIN agreement of December 5, 2017

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acquisition of holdings in special purpose entities or domiciled in countries or territories that are considered tax havens or territories included in the Blacklist of non-cooperating jurisdictions of the European Union, as well as any other transactions or operations of a similar nature that, due to their complexity, could undermine the transparency of the Iberdrola Group, also serving notice of such report to the Chairman of the Audit and Risk Supervision Committee of the Parent Company of the Iberdrola Group, moreover, serving notice thereof to the Chairman of the Audit and Risk Supervision Committee of Iberdrola.

ii. Report annually to the Board of Directors on the situation of companies domiciled in tax havens or territories included in the blacklist of non-cooperating jurisdictions of the European Union and special purpose entities existing in the Iberdrola Mexico Group and, where appropriate, on their operational status, also serving notice of such report to the Chairman of the Audit and Risk Supervision Committee of Iberdrola.

iii. Concerning compliance with the Corporate Fiscal Policy: issue a report annually to the Board of Directors on the degree of compliance with the Corporate Fiscal Policy and the fiscal criteria applied for approval, likewise, serving notice of such report to the Chairman of the Audit Committee and Iberdrola Risk Supervision.

3. The Audit and Compliance Committee shall also assume those other functions that, as the case may be, attributed to it by the bylaws or the Board of Directors.

4. The Audit and Compliance Committee shall meet in the opinion of its chairman as many times as necessary for the fulfillment of its duties, and when requested by two of its members. It shall be validly constituted when at least two of its members concur, adopting its agreements by a majority vote of its members. In case of a tie, the Chairman shall have a casting vote.

5. The Audit and Compliance Committee shall submit to the Board of Directors for approval a report of its activities throughout the previous year, which shall be thereafter made available to the shareholders.

Article 19. Compensation

1. The General Shareholders' Meeting shall assign a fixed remuneration to some or all of the directors depending on their circumstances and the functions or positions they have assigned. The premiums corresponding to the liability and life insurance that the Company contracts for the benefit of the directors shall be part of this fixed remuneration.

2. Likewise, depending on their circumstances, all or some of the directors shall have the right to receive remuneration for fees for attending meetings of the Board of Directors or of the committees of which they are a part, subject to the prior agreement of the General Shareholders' Meeting.

3. The aforementioned amounts set by the General Shareholders' Meeting shall remain while not modified by a new decision of the General Shareholders' Meeting itself.

4. Directors who perform executive functions shall only be paid for these functions, pursuant to the provisions of section 5 of the article herein.

5. The rights and duties of all kinds derived from membership of the Board of Directors shall be compatible with any other rights, obligations, and compensation that may correspond to the director for those other labor or professional relationships that, where appropriate, perform in the Company, as appropriate allowed by the applicable legal provisions, respecting at all times the principles of impartiality and independence necessary for the performance of the position of Director.

TITLE IV. RULES OF CONDUCT TO BE OBSERVED BY THE MEMBERS OF THE BOARD OF DIRECTORS

Article 20. General Obligations of the Directors

1. In the performance of their duties, the directors shall act in good faith and with the diligence of an orderly entrepreneur and a loyal representative and shall comply with the duties imposed by law and the Corporate Governance System of the Company, taking into account the nature of his position and the functions of each of them.

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2. Likewise, each of the directors shall be obliged, in particular, to:

- a) Properly prepare the meetings of the Board of Directors and, where appropriate, of the committees to which it belongs, and should be diligently informed about the progress of the Company and the matters to be discussed in said meetings.
- b) Attend the meetings of the Board of Directors and of the committees and commissions of which it is a member and actively participate in the deliberations so that their criteria effectively contribute to decision-making.
- c) Perform any specific task entrusted to it by the Board of Directors or its Chairman and that is reasonably included in its commitment to dedication.
- d) Investigate and transfer to the Board of Directors any irregularities in the management of the Company of which it has been able to hear and monitor any risk situation.
- e) Propose the convening of an extraordinary meeting of the Board of Directors or the inclusion of new matters on the agenda of the first meeting to be held, in order to deliberate on the points deemed appropriate.
- f) Oppose the agreements in violation of the law, the bylaws or the social interest, request to record in the minutes their opposition and promote the challenge or annulment, where appropriate, of such agreements.
- g) When deliberating and voting on any operation in which the Board of Directors has an interest opposite to that of the Company, express it to the Board of Directors and refrain from participating in the deliberation and voting, in the terms provided in article 23 below.

3. The Secretary or, the pro-secretary of the Board of Directors, will have those obligations, established for directors, that may apply.

Article 21. Confidentiality Commitment

1. The director shall keep secret the deliberations of the Board of Directors and of the commissions that are part of their case and, in general, they shall refrain from disclosing information, data, reports or background they have had access to in the exercise of their title, as well as to use them for their own benefit or that of any other third party, without prejudice to the obligations of transparency and information enforced by the applicable legislation.

2. The obligation of confidentiality of the administrator shall subsist even when they have left office, except in cases where the law permits or requires it.

3. The aforementioned duty shall not hinder the normal flows of information between the Company and the other companies integrated in the Iberdrola Group within the framework of coordination within the general strategy of the Iberdrola Group in the interest of all the companies that comprise it, without prejudice to the obligations arising from the nature *per se* of companies that develop regulated activities.

Article 22. Non-compete Commitment

1. The director may not be an administrator or manager or provide services to another company that has a corporate purpose totally or partially analogous to that of the Company or that is its competitor. The functions and charges that may be performed (i) in companies of the Iberdrola Group, (ii) in companies in which they act on behalf of the interests of the Iberdrola Group, (iii) in companies in which any company participates are safe of the Iberdrola Group and does not act on behalf of the interests of the Iberdrola Group, unless the Board of Directors understands that the social interest is put at risk and (iv) in those other cases in which the General Shareholders' Meeting, or the Board of Directors, dispense with the previous restriction for understanding that the social interest is not put at risk.

2. The non-executive director who terminates their mandate or for any other reason ceases in the performance of their position, may not be an administrator, or member of the management, or provide services in another entity that has a corporate purpose totally or partially analogous to that of the Company or its competitor, for a period of two years, unless it is an entity integrated into the Group. The obligation of non-competence of the executive directors shall be determined by their respective agreements. The Board of Directors, if deemed appropriate, may waive the outgoing director of this obligation or shorten the period of its duration.

Article 23. Conflicts of Interest, Transactions with a Director, and Transactions with Iberdrola or its Group

1. The directors must take the necessary measures to avoid incurring in situations of conflict of interest pursuant to the provisions of the law.
2. The directors must notify the Board of Directors and, in absence thereof, the General Shareholders' Meeting of any conflict situation, direct or indirect, that they may have in the interest of the Company.
3. In case of conflict, the affected administrator shall refrain from intervening in relation to the operation to which the conflict refers.
4. The waiver of the prohibition of obtaining an advantage or remuneration of third parties or affecting a transaction whose value is greater than ten percent of the corporate assets must necessarily be agreed by the General Shareholders' Meeting.
5. In other cases, the authorization may also be agreed by the Board of Directors provided that the independence of the members that grant it to the dispensed director is guaranteed. Furthermore, it shall be necessary to ensure the safety of the authorized operation for the net assets or, where appropriate, its performance under market conditions and the transparency of the process.
6. In the case of transactions of the Company with the director or persons linked to it within the ordinary course of the Company's business and that are habitual or recurring, the generic authorization of the line of operations and its conditions of execution by the board of directors shall suffice.
7. The authorization of the Board of Directors (or, where appropriate, of the General Shareholders' Meeting) shall not be understood, however, in relation to those transactions that simultaneously meet the following three conditions: (i) that are carried out under agreements whose conditions are standardized and applied on masse to many customers; (ii) that they are made at prices or fees established in general by the person acting as the supplier of the good or service in question and (iii) that the amount does not exceed one percent of the Company's annual income, under the annual accounts of the last fiscal year closed on the date of the operation in question.
8. The Board of Directors, prior to a report from the Audit and Compliance Committee, shall approve and annually review the bases that, in the protection of the social interest, must respect the transactions made between the Company and its subsidiaries and the rest of the companies integrated with the Group.

Article 24. Use of Corporate Assets

1. The director may not make use of the assets of the Company or use their position therein to obtain a capital advantage unless they have satisfied an adequate consideration.
2. Exceptionally, the administrator may be exempted from the obligation to pay the consideration, but in that case, the capital advantage shall be considered indirect compensation and must be authorized by the Board of Directors, prior report of the Audit and Compliance Committee, or, by the General Shareholders' Meeting.

Article 25. Non-public Information

The use of non-public information of the Company by the director for private purposes shall only proceed if the following conditions are met:

1. That said information is not applied in connection with operations of acquisition or sale of securities or financial instruments to whose issuer the information is directly or indirectly referred to.
2. That does not give the administrator a situation of advantage over third parties, including suppliers and customers.
3. That its use does not cause any damage to the Company.
4. That the Company does not have an exclusive right or a legal position of analogous meaning on the information that it wishes to use.

Article 26. Business Opportunities

1. The director may not carry out, for their own benefit or those of related persons, a business opportunity of the Company, unless the investment or operation had been previously offered to the Company, that the latter had given up operating it without the influence of the director and that the use of the operation by the administrator be authorized by the Board of Directors or, in absence thereof, by the General Shareholders' Meeting.
2. For the purposes of the previous section, business opportunity means any possibility of making an investment or commercial operation that has arisen or has been discovered by the director in connection with the exercise of their position, or through the use of means and information of the Company, or under circumstances such that it is reasonable to think that the offer of the third party was actually addressed to the Company.
3. Likewise, the director must refrain from using the name of the Company and invoking their status as the administrator of the Company for carrying out operations on their behalf or of related persons.

Article 27. Information Duties of the Administrator

1. The director must inform the Company of the direct or indirect participation that both they and their related persons had in the capital of any company with the same, analogous or complementary type of activity to which the corporate purpose is constituted, and the charges or functions exercised therein, as well as the realization, on their own or another's behalf, of any kind of complementary activity to which the corporate purpose of the Company is constituted.
2. The director must also inform the Company:
 - a) Of all the positions that they perform and of the activity they carry out in other companies or entities, except those integrated with the Iberdrola Group, as well as of their remaining professional obligations. In particular, the administrator must inform the Company before accepting any position of director or executive in another company or entity (except for the positions they are called to hold in companies belonging to the Iberdrola Group or in other companies in which they act in representation of the interests of the Iberdrola Group).
 - b) Any significant change in their situation in their professional situation, which affects the character or condition in whose virtue they had been appointed director.
 - c) Of the judicial, administrative or any other proceedings that are brought against the director and that, due to their importance or characteristics, could seriously affect the reputation of the Company. In particular, every director must inform the Company, through its Chairman, in the event that it is prosecuted, or a proceeding shall be issued against them, or order to open a trial for any type of crime, federal or local. In this case, the Board of Directors shall examine the case as soon as possible and thereafter adopt the decisions it deems most appropriate in the interests of the Company.
 - d) In general, of any event or situation that may be relevant for their performance as a director of the Company.

Article 28. Powers of Information and Inspection

1. The administrator is vested with the broadest powers to inform themselves about any aspect of the Company, to examine its books, records, documents, and other backgrounds of the corporate operations, to inspect all its facilities and to communicate with the directors of the Company.
2. The exercise of the powers of information shall be previously managed through its chairman, the secretary or the pro-secretary of the Board of Directors.

Article 29. Expert Assistance

1. In order to be assisted in the exercise of its functions, any administrator may request the hiring, at the expense of the Company, of legal, accounting, technical, financial, commercial, or other expert advisors. The assignment must necessarily deal with specific problems of certain importance and complexity that arise in the performance of their position.
2. The hiring request shall be managed through the chairman of the Board of Directors or the secretary, who may subject

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to the prior authorization of the Board of Directors, which may be denied when there are causes that justify it, including the following circumstances:

- a) That it is not necessary for the full performance of the functions entrusted to the directors.
- b) That its cost is not reasonable, given the importance of the problem and the assets and income of the Company.
- c) That the technical assistance that is collected can be adequately dispensed by experts and technicians of the Company.
- d) That it may pose a risk for the confidentiality of the information that should be provided to the expert.

TITLE V. INTERPRETATION, COMPLIANCE, AND EXECUTION

Article 30. Interpretation, Compliance, and Execution

The interpretation, compliance, and enforcement of this Regulation are subject to the laws of the United Mexican States.