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# By-Laws of Iberdrola Energía Sostenible España, S.L.U.

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## PREAMBLE

This Preamble forms part of the *By-Laws* of Iberdrola Energía Sostenible España, S.L. (Sociedad Unipersonal) (the “**Company**”), inspiring their content while also serving as the basis for their interpretation, application and development, thus expanding the typical text of these corporate rules. The Company is part of an international industrial group of which IBERDROLA, S.A. is the listed controlling holding company (the “**Group**”) and whose decentralised decision-making corporate structure, inspired by the principle of subsidiarity, with robust coordination mechanisms, ensures the global integration of all the businesses of the Company’s group, in accordance with a Business Model geared towards leveraging the collective value of the businesses that make up the Group in the interest of all of the companies of which it is comprised, maintaining an effective system of checks and balances and a clear separation of functions and responsibilities. Based on the foregoing, the Company constitutes the head of business company for the energy generation business in Spain, which is responsible, based on the required corporate autonomy, for the day-to-day and effective management of said business constituting the corporate object thereof and, consequently, for its day-to-day control, without prejudice to the duty of organisation, supervision and strategic coordination assigned to Iberdrola España, S.A. (Sociedad Unipersonal) (“**Iberdrola España**”) as the Group’s country subholding company in Spain, complying in all cases with applicable legal provisions about separation of regulated activities. This Preamble also seeks to expressly state the Company’s commitment to the Purpose (*to continue building together each day a healthier, more accessible energy model, based on electricity*) and Values (*sustainable energy, integrating force and driving force*) of the Group, as well as to its *Code of Ethics*, which, as the foundation of its corporate philosophy and ethical principles, govern the Company’s activity constituting its corporate object and guide its business strategy and enterprise. The Company also shares the corporate interest of IBERDROLA, S.A. focused on the creation of sustainable value for all its members, taking into consideration and engaging the other Stakeholders related to the corporate activities and the institutional reality of the Group, sharing with them in the social dividend generated by its activities, particularly by means of contribution to the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations (UN) and compliance with the most stringent environmental, social commitment and corporate governance (ESG) requirements, which in sum characterise it as a company and an institutional reality, a player in the economic and social environment in which it carries out its activities. The *By-Laws* set out and contemplate the Governance and Sustainability System, that is, its own set of internal regulations, developed under the aforementioned corporate autonomy, to ensure by these rules its *raison d’être* and way of being, the construction of its identity, the achievement and implementation of the *Purpose and Values of the Iberdrola Group*, the creation of sustainable value that satisfies the corporate interest, and makes feasible and real the social dividend that it shares with all of its Stakeholders. Similarly, the *By-Laws* establish a well-developed Compliance System, which, integrated within the overall Governance and Sustainability System, is intended to prevent and manage the risk of regulatory or ethical violations or violations of the Governance and Sustainability System. To the extent applicable thereto, these *By-Laws*, of which this Preamble forms a part, govern the conduct of the Company’s governance bodies, senior management and other professionals within the Company, who shall have the duty to comply and the right to demand compliance herewith.



## TITLE I. GENERAL PROVISIONS

### Article 1. Company Name

1. The name of the Company is Iberdrola Energía Sostenible España, S.L. (Sociedad Unipersonal).
2. The Company shall be governed by the legal provisions relating to limited companies (*sociedades limitadas*) and other applicable laws and regulations, as well as by the Governance and Sustainability System of its sole member, Iberdrola España.
3. The Company is an independent company which develops its activity in Spain the only shareholder of which is Iberdrola España, which shall be noted as provided by law .

### Article 2. Company Object

1. The Company's object is:
  - a. To carry out all manner of activities, works and services inherent in or relating to the businesses of:
    - (i) Production and sale of thermal electricity.
    - (ii) Production and supply of electricity through facilities using renewable energy sources, including, without limitation, hydroelectric, wind, thermal-solar, photovoltaic or biomass-based production;
    - (iii) Production, treatment and supply of biofuels and derivative products; and
    - (iv) Design, engineering, development, construction, operation, maintenance and sale of the facilities included in paragraphs above, whether owned by the Company or by third parties, services of analysis, engineering studies or consultancy in the energy, environmental, technical and economic areas in connection with facilities of that kind.
  - b. To hold equity interests in all kinds of companies and groups of companies engaged in all manner of activities, works and services inherent in or relating to the businesses of production or supply of electricity or derivatives thereof, including financial derivatives.
2. The aforementioned activities shall be carried out primarily in Spain, although the Company may also act abroad, and may be performed, in whole or in part, either directly by the Company or indirectly through the ownership of shares or equity interests in other companies with the same or a similar object, subject in all cases and at all times to applicable legal provisions for each industry, especially the electricity industry, ensuring compliance with legal provisions applicable at all times, and especially, on the separation of regulated activities.
3. The Company shall not engage in any activities for which the laws require compliance with specific conditions or requirements, to the extent that it does not exactly comply therewith. If any of the activities included in the Company's object require(s) professional qualifications (such as engineering), the Company shall act as an intermediary company with respect thereto, such that said activities shall be excluded from the scope of application of Law 2/2007 of 15 March.

### Article 3. Duration of the Company

The duration of the Company is indefinite, its operations having commenced on the date of formalisation of its deed of incorporation.

### Article 4. Registered Office and Branches

1. The registered office of the Company is in Bilbao (Biscay), at Plaza Euskadi 5.
2. Said registered office may be moved within the same municipality if so resolved by the Board of Directors, which can also decide on the creation, closure or moving of branches, agencies, delegations and representations in any part of Spain.

### Article 5. The Company within the Iberdrola group

1. The Company is the head of business company for the energy generation businesses of the Group in Spain, and forms part of the multinational group of companies whose parent holding company, within the meaning established by law, is IBERDROLA, S.A. the Company's sole shareholder is Iberdrola España, the country subholding company, which in turn is wholly owned by IBERDROLA, S.A.
2. The Company is included within the decentralised corporate structure of the Group as the head of business company for the Group's energy generation business in Spain, and is responsible, based on the required autonomy, for the day-to-day and effective management of said business, without prejudice to the duty of supervision, organisation and strategic coordination carried out by IBERDROLA, SA. as the Group's holding company, as well as by Iberdrola España as the Group's subholding company in Spain, which complements these functions with respect to the Company and to the other head of business companies in which it participates, disseminating, implementing and ensuring compliance with policies, strategies and general guidelines

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with projection at the Group level, in view of the characteristics and unique aspects of the respective territories, countries and businesses in which the Company and the other head of business companies in which Iberdrola España has a stake are present. Thus, contributing to their global integration within the Group and within its Business Model.

3. In its capacity as the head of business company for the generation business in Spain, the Company groups together the equity stakes in those companies in which there is a direct or indirect interest and which engage in the production and supply of electricity through facilities that use renewable energy or thermal sources, strictly complying with applicable legal provisions.
4. The Company has its own Governance and Sustainability System, approved within the framework of the performance of its responsibilities and in the exercise of its powers, which system constitutes its internal regulations, along with its own Compliance function, which has sufficient material and human resources to manage its Compliance System.

### Article 6. Corporate Interest

As the head of business company for the Group's generation business in Spain, the Company shares with IBERDROLA, S.A. the concept of the corporate interest, understood as the common interest of all members focused on the sustainable creation of value by engaging in the activities included in its corporate object, taking into account the other Stakeholders related to its business activity and its institutional reality, in accordance with the Purpose and Values of the Iberdrola Group and the commitments made in its Code of Ethics.

### Article 7. Social Dividend

1. The performance of the activities included in the corporate object, particularly the Company's innovation and digital transformation strategy, must be focused on the sustainable creation of value, in accordance with the *Purpose and Values of the Iberdrola Group* and with the commitments made in its *Code of Ethics*.
2. The Company, as the head of business company for the generation business in Spain, contributes to the social dividend of the Group consisting of the direct, indirect or induced contribution of value that its activities represent for all Stakeholders, particularly through its contribution to the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations and its commitment to best environmental, social and corporate governance practices.

In this regard, the Company may work with Fundación Iberdrola España in order to promote and implement activities carried out in relation to the sustainable development policies in Spain, through the execution of the corresponding cooperation agreements.

3. The Company's performance in the social, environmental and sustainability areas, as well as the social dividend generated and shared with its Stakeholders, make up the non-financial information of the Company, which shall promote the public dissemination thereof among its Stakeholders.

### Article 8. Applicable Legal Provisions, Governance and Sustainability System, and Compliance System.

1. The Company shall be governed by the legal provisions relating to limited liability companies (*sociedades de responsabilidad limitada*) and other applicable laws and regulations, as well as by its Governance and Sustainability System established by its governance bodies in the exercise of corporate autonomy.
2. The Governance and Sustainability System is the Company's internal system of rules, which is configured in accordance with applicable law in the exercise of corporate autonomy supported thereby; it is intended to ensure through rule-making the best implementation of the corporate contract that binds its sole member, and especially the corporate object, the corporate interest and the social dividend, as defined in the preceding articles.
3. The Governance and Sustainability System is made up of these *By-Laws*, of other governance and compliance rules approved by the governance bodies of the Company, and of the set of rules covering the Group that have been approved by the Board of Directors of IBERDROLA, S.A. in the performance of its duties as a holding company in the definition of the organisational model of the Iberdrola Group, or by the Board of Directors of Iberdrola España in the performance of its duties as a country subholding company to implement the overall strategy approved by IBERDROLA, S.A. as adopted by the Company, thus including them within its Governance and Sustainability System (the *Purpose and Values of the Iberdrola Group*, its *Code of Ethics*, and those governance and regulatory compliance policies and rules that have been adopted by the Company).
4. The Company's Governance and Sustainability System embraces and responds to the *Purpose and Values of the Iberdrola Group*, defining the ideological and axiological foundation of its corporate enterprise, which, due to its size and importance, is a focal point for many Stakeholders and for the environmental, social and economic surrounding in which the entities of the Group do business.
5. The sole member and the Company's management decision-making body, within their respective purviews, develop, apply and interpret the rules making up the Governance and Sustainability System in order to ensure compliance at all times with the purposes thereof and, particularly, the fulfilment of the corporate interest.

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6. Full or summarised versions of the rules making up the Governance and Sustainability System can be viewed on the Company's corporate website.
7. Within the framework of the Governance and Sustainability System, the Company also has a Compliance System, consisting of a structured set of rules, procedures and activities intended to prevent and manage the risk of regulatory and ethical violations or violations of the Governance and Sustainability System itself, as well as to contribute to the full realisation of the *Purpose and Values of the Iberdrola Group* and the corporate interest.
8. The application and further development of the Company's Compliance System and function is the responsibility of the Compliance Unit, a collective, internal and permanent body that is configured in accordance with the highest standards of independence and transparency and that is linked to the Board of Directors, the body of the Company that is responsible for proactively and independently endeavouring to ensure the implementation, effectiveness and management of the Compliance System.

## Article 9. Stakeholder Engagement, Corporate Website, Presence on Social Media and Digital Transformation

1. The Company, as the head of business company for the Group's generation business in Spain, contributes to the engagement of all Stakeholders relating to its activities in accordance with an engagement policy based on the principles of transparency and active listening, participation, consensus, cooperation and continuous improvement, which allows it to take into account all of their legitimate interests, with the Company being responsible for the effective dissemination of information regarding the activities thereof.
2. The Company's corporate website, its presence on social media, and its digital innovation strategy generally contribute to the Group's digital communication strategy, which is focused on fostering the engagement of all its Stakeholders, strengthening their sense of belonging and boosting the institutional sense of the Iberdrola brand, among other ends, thus favouring the development of the businesses of the Group and the digital transformation thereof.
3. The Company promotes the accessibility of its corporate website as an expression of its commitment to transparency and communication with the various Stakeholders and with society in general, which in turn serves as a basis for generating credibility and mutual trust.

## Article 10. Conduct before Government Authorities

The Company may take action before Government Authorities on behalf of other natural persons or legal entities, including those not belonging to the Group, on the terms established by law.

## TITLE II. CAPITAL AND MEMBERSHIP INTERESTS

### Article 11. Capital and Representation of Membership Interests

1. The capital is three hundred and fifty thousand eight hundred and eighty euros (€350,880), divided into thirty five thousand and eighty eight (35,088) membership interests (*participaciones*) having a nominal value of 10 euros each, belonging to a single class and series, which are fully subscribed and paid up.
2. The shares shall be numbered consecutively from 1 to 35,088, both inclusive. All membership interests shall be of the same class and shall confer identical rights and are fully paid up.
3. Membership interests shall be registered in the book-entry register.

### Article 12. Transfer of Membership Interests

1. The rules for the transfer of membership interests shall be those generally provided for in the consolidated text of the Companies Act (*Ley de Sociedades de Capital*) approved by Royal Legislative Decree 1/2010 of 2 July (the "**Companies Act**") (or any provision in replacement thereof).
2. If the transfer of membership interests involves the loss of status as a single-member company, there must be a simultaneous adjustment of these *By-Laws*.

### Article 13. Sole Member Status

1. A membership interest confers upon its legitimate holder the status of member, and vests such holder with the rights and obligations established by law and by these *By-Laws*, with those particular features deriving from the status of a single-member company.
2. The ownership of membership interests by the sole member entails adherence to the Company's Governance and Sustainability System and the duty to respect and comply with decisions of the Company's governance bodies made in accordance with applicable law and its Governance and Sustainability System.

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## TITLE III. GOVERNANCE OF THE COMPANY

### Section One. Decisions of the Sole Member in Exercise of the Powers of Members Acting at a General Members' Meeting

#### Article 14. Exercise by the Sole Member of the Powers of Members Acting at a General Members' Meeting

1. The sole members shall decide on the matters assigned by law or these *By-Laws* to members acting at a General Members' Meeting, and particularly regarding the following:
  - a. The appointment of directors of such class as may be appropriate pursuant to Article 20 of the *By-Laws*, and the removal thereof.
  - b. The appointment and removal of statutory auditors and of liquidators.
  - c. The approval of the annual financial statements, the directors' report, the allocation of profits or losses and corporate management, within the first six months of each financial year.
  - d. The approval of the Company's statement of non-financial information, if any, prepared by the management decision-making body, within the period and in accordance with the provisions of applicable law and the Governance and Sustainability System.
  - e. The payment of interim dividends.
  - f. An increase or reduction in share capital with the ability to delegate to the Board of Directors, if appropriate, within the deadlines provided by law, the power to carry out a previously-made decision to increase share capital, or the power to approve an increase in share capital on one or more occasions, upon the terms established by law.
  - g. The issue of bonds and other negotiable securities, upon the terms and within the limits established by law.
  - h. The approval of related-party transactions in accordance with the provisions of applicable law.
  - i. The amendment of the *By-Laws*.
  - j. The acquisition, transfer or contribution of key assets from or to another company, upon the terms established by law.
  - k. The dissolution, merger, split-off, overall assignment of assets and liabilities, and transformation of the Company.
  - l. The dissolution of the Company and the approval of the final liquidating balance sheet.
  - m. Any matter that is submitted by the management decision-making body to a decision thereof.
2. The sole member must immediately notify the management decision-making body of any decisions made in the exercise of the powers of members acting at a General Members' Meeting.

#### Article 15. Documentation, Conversion into a Public Instrument and Registration of the Decisions of the Sole Member

1. The powers of members acting at a General Members' Meeting shall be exercised by way of decisions made by the sole member, which shall be recorded in minutes bearing the signature thereof or of the representative thereof, which may be carried out and formalised by the sole member itself, by the management decision-making body, or by any person to whom the management decision-making body may delegate powers or grant a power of attorney.
2. The documentary record of the decisions made by the sole member in the exercise of the powers of members acting at a General Members' Meeting, the conversion thereof into a public instrument, and the registration thereof with the Commercial Registry shall be carried out in accordance with the provisions of law and the *Regulations of the Commercial Registry*.
3. The full or partial certificates required to certify the decisions of the sole member in the exercise of the powers of members acting at a General Members' Meeting shall be issued and signed by the sole member or by the management decision-making body.
4. In this regard, the secretary of the Board of Directors, if any, shall manage and keep the minute book containing the decisions of the sole member in the exercise of the powers of members acting at a General Members' Meeting.





## Section Two. Management of the Company

### Article 16. Structure of Management of the Company

1. The following, at the election of the sole member, which shall have the power to choose among any of the different modes of management mentioned below without needing to amend the By-Laws, shall be responsible for the management and representation of the Company and the use of the corporate signature:
  - a. A single manager.
  - b. Two joint managers.
  - c. Several joint and several managers, with a minimum of two and a maximum of three.
  - d. A Board of Directors, which shall consist of a minimum of three and a maximum of ten directors.
2. The sole member shall determine the number of members within these limits.
3. The scope of representation of the management decision-making body, in whatever form it may take in accordance with this article, shall cover all acts included in the corporate purpose, as established in the Companies Act. If a Board of Directors is chosen, the chief executive officer (*consejero delegado*), if appointed, shall also have the power of representation. The Board of Directors shall act collectively in the exercise of its powers of representation. The chief executive officer shall act in an individual capacity.
4. The Board of Directors may create as many internal committees as it deems appropriate with consultative or advisory duties or for the purpose of compiling reports or drafting proposals, as determined by the Board of Directors itself.
5. The resolutions of the Board of Directors shall be carried out by the secretary thereof, by a director, or by any third party named in the resolution.
6. It shall not be necessary to be a member to hold the position of manager.

### Article 17. Main Principles of Conduct

The management decision-making body and, where appropriate, the chief executive officer, shall perform their duties and exercise their powers with unity of purpose, independent judgement and loyalty to the corporate interest, in accordance with the Purpose and Values of the Iberdrola Group and its Code of Ethics, acting in observance of applicable legal provisions as well as the Governance and Sustainability System and, particularly with respect to the management decision-making body, the rules of organisation and internal operation established thereby within the framework of its power of self-organisation.

## Section Three. Board of Directors

### Article 18. Powers of the Board of Directors

1. The Board of Directors has the power to adopt resolutions regarding all matters not assigned by law or the *By-Laws* to the sole member in the exercise of the powers of members acting at a General Members' Meeting, and shall have the broadest powers to manage, direct, administer and represent the Company.
2. The following are specific and non-delegable powers of the Board of Directors of the Company as the head of business company of the Group which carries out activities of generation business in Spain:
  - a. Cooperate with Iberdrola España, as the Group's country subholding company in Spain, in defining the management guidelines and strategic objectives of the Group within Spain in respect to the business and the activities of the Company, and allow the duties of supervision, organisation and strategic coordination of the subholding company. For such purpose, the Company shall submit to the country subholding company its proposed annual objectives, results and budget necessary for the achievement thereof, in order to facilitate the exercise by the country subholding company of the duties of organisation, supervision and strategic coordination of the Group within Spain.
  - b. Approve the short- and long-term strategic objectives and action programmes in relation to all of the activities included in the generation business comprising its corporate object.
  - c. Prepare proposals for the distribution of dividends that will be submitted for a decision of the sole member, in the exercise of the powers of shareholders acting at a General Shareholders' Meeting, taking into account the criteria established in this regard by Iberdrola España as a subholding company.

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- d. Supervise the implementation and development of relations and direct dialogue with the Stakeholders related to its activities in accordance with the policy and model established in this regard at the Group level, and in particular approving, in accordance with its activities and purview, the execution of the corresponding cooperation agreements with Iberdrola España and with Fundación Iberdrola España to promote and carry out activities relating to sustainable development policies.
  - e. Endeavour to ensure that the Company and its directly or indirectly controlled companies comply with the legal provisions on the protection of personal data in accordance with the policies established in this regard at the Group level. The Company's Data Protection Officer shall report to the Board of Directors in this regard.
  - f. Approve the annual budget of the Company and of its directly or indirectly controlled companies.
  - g. Approve the financial information relating to the Company and its directly or indirectly controlled companies, after any review by the statutory auditor.
  - h. Approve the non-financial information of the Company and its direct or indirect subsidiaries, which are included in the consolidated statement of non-financial information of its controlling company, in accordance with Article 47 of the *By-Laws*.
  - i. Acknowledge and apply the recommendations of business committees established at the global or local level to the performance of its business activities, in order to generate and capitalise on synergies with a view to maximising the value of the businesses as a whole.
  - j. Participate, with a view to achieving greater efficiency in the conduct of its activities, in the synergies deriving from the provision of intra-group services and from the corporate functions operating at the Group level.
  - k. Monitor compliance with legal provisions on the separation of regulated activities and, therefore, with the Code for the Separation of Activities of the Companies of the Iberdrola España group with Regulated Activities.
  - l. Ensure the proper use of the Iberdrola brand as an expression of the *Purpose and Values of the Iberdrola Group* and its commitment to the *Code of Ethics*.
  - m. Bolster the presence of the Company on social media and foster development of the communication and innovation strategy as well as the digital transformation.
  - n. In particular, within its purview as a head of business company, establish the structure and accessibility of the Company's corporate website through which the *Purpose and Values of the Iberdrola Group* and its *Code of Ethics* will be disseminated, identifying its activities, its relationship with the Group, and its position on matters of corporate governance, sustainability and the environment, while also serving as an instrument for bolstering its relations with the most significant Stakeholders and with society in general, establishing the coordination required for these purposes with the corporate website of the country subholding company, avoiding any confusion between them.
3. The Board of Directors shall also be responsible for directly exercising the following powers, which may not be delegated:
- a. Establish its own organisation and operation.
  - b. Prepare the annual financial statements, the directors' report and the proposed allocation of profits or losses of the Company, ensuring that such documents provide a true and fair view of the assets and liabilities, the financial position and the results of the Company in accordance with the provisions of law, and submit them to the sole member in the exercise of the powers of sole member.
  - c. Prepare the statement of non-financial information within the period and in accordance with the provisions established by applicable law and the Governance and Sustainability System and submit it to the sole member in the exercise of the powers of sole member.
  - d. Prepare any type of report required of the Board of Directors by law insofar as the activity referred to in the report cannot be delegated.
  - e. Designate and renew internal positions within the Board of Directors and the members of and positions on the committees that may be established therein.
  - f. Submit to the sole member, in the exercise of the powers of members acting at a General Members' Meeting, in accordance with these *By-Laws* and within the limits established thereby, proposed resolutions relating to the remuneration of directors in their capacity as such.

- g. Set the remuneration to which the executive directors are entitled by reason of their executive duties and the other terms to be included in their contracts in accordance with the provisions of law.
- h. Approve the appointment and dismissal of the Company's members of senior management. For these purposes, those officers who directly report to the Board of Directors or to one of its members, and in any case the head of the Internal Audit Division, shall be deemed members of its senior management ("**Members of Senior Management**").
- i. Approve proposed appointments and removals of directors of the companies directly controlled by the Company, provided, however, that proposed appointments or removals of any external directors shall be submitted by the Board of Directors to IBERDROLA, S.A.'s Appointments Committee for acknowledgement. The Company's Board of Directors shall also acknowledge proposed appointments and removals of directors of indirectly controlled companies.
- j. Decide on proposals submitted thereto by the chief executive officer, if any, or by such committees of the Board of Directors as it has decided to create.
- k. Carry out the decisions of the sole member in the exercise of the powers of members acting at a General Members' Meeting.
- l. Define the structure of general powers of the Company to be approved by the Board of Directors itself or by the delegated management decision-making bodies.
- m. Approve or propose to the sole member for approval, as appropriate, Related-Party Transactions (as defined in these *By-Laws*) for which approval has not been delegated based on the provisions of Article 38.8 below, and decide on any approval or waiver of obligations arising from the duty of loyalty, all upon the terms established by law and the Governance and Sustainability System, without prejudice to any powers in this regard of the Board of Directors of IBERDROLA, S.A. as the holding company of the Group.
- n. Approve and review on an annual basis the basic terms that, in order to safeguard the corporate interest, must be observed in transactions between the Company and its subsidiaries and the other companies of the Group.
- o. Approve the disposition of essential assets of the Company and, in general, investments or transactions of any kind that are strategic in nature to the Company due to the large amount or special characteristics thereof (and whose approval, as provided by law and these *By-Laws*, does not correspond to the sole member in the exercise of the powers of members acting at a General Members' Meeting), including industrial, commercial or financial transactions that have a particular significance or pose a particular risk to the Company, establishing any position of the Company with respect to its controlled companies, within the meaning of Article 42 of the Commercial Code, on the aforesaid matters and transactions. The foregoing shall be understood to be without prejudice to the power of the Board of Directors to request of the sole member, in the exercise of the powers of members acting at a General Members' Meeting, the approval of the decisions contemplated in the preceding paragraph.
- p. Establish, within its purview, its position with regard to mergers, split-offs or other structural modifications affecting any of the controlled companies of the Company.
- q. Supervise the effective operation of any committees that it may have created, and the conduct of any delegated decision-making bodies and of any officers that it may have appointed.
- r. Approve the appointment of the members of the Compliance Unit, on its own initiative or upon a proposal of the Compliance Unit, considering the profiles that may be appropriate for the performance of the activities arising from the duties thereof, based on the Company's activities.
- s. Approve and, if appropriate, amend the Regulations of the Compliance Unit.
- t. Identify the principal risks of the Company and organise appropriate internal control and information systems, as well as carry out the regular monitoring of such systems, taking into account the Group's general risk policy for these purposes.
- u. Receive information from the Compliance Unit in relation to any significant issue regarding regulatory compliance and the prevention and correction of improper conduct and acts that are illegal or contrary to law or the Governance and Sustainability System.
- v. Receive information from the Compliance Unit concerning significant matters relating to the effectiveness of the Company's Compliance System. In any case, the Board must issue its opinion on the annual report of the Unit evaluating the effectiveness of the Company's Compliance System, as well as on the annual report on the effectiveness of the Compliance Systems of the Company's controlled companies.

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- w. Use the Compliance Unit to review the Company's internal policies and procedures in order to prevent improper conduct and identify policies or procedures that may be more effective in promoting the highest ethical standards.
  - x. Review and approve the annual operating budget of the Compliance Unit and ensure that the Compliance Division has the material and human resources needed to perform its duties, endeavouring to ensure the independence and effectiveness thereof.
  - y. Approve the annual activities plan of the Compliance Unit, and issue each year an opinion regarding compliance therewith and the performance of the Compliance Unit.
  - z. Make decisions regarding any other matter within its purview that the Board of Directors believes to be in the interest of the Company.
4. Without prejudice to the non-delegable powers referred to in sections 2 and 3 of this article, the Board of Directors shall entrust the day-to-day management and administration of the Company to the chief executive officer, if any, and to the members of management, promoting and supervising the management of the Company, and particularly compliance with the guidelines and objectives established by the Board of Directors.
5. Powers reserved by law or the *By-Laws* to be directly exercised by the Board of Directors may not be delegated.

#### **Article 19. Composition of the Board of Directors**

1. The Board of Directors shall be composed of a minimum of three and a maximum of ten directors, who shall be appointed by decision of the sole member in the exercise of the powers of members acting at a General Members' Meeting in compliance with applicable provisions of law and the *By-Laws*. At least one of the directors shall be classified as external in accordance with the provisions of Article 20.2 of these *By-Laws*.
2. The sole member, in the exercise of the powers of members acting at a General Members' Meeting, shall determine the number of directors between the minimum and maximum limits referred to in the preceding section. Without prejudice to the foregoing, the Board of Directors must propose to the sole member the number of directors that is most appropriate for the effective operation of the body, in accordance with the circumstances affecting the Company.

#### **Article 20. Classes of Directors**

1. Directors shall be classified in accordance with the following categories:
- a. Executive directors: those who perform management duties within the Company, whatever the legal relationship the director maintains therewith.
  - b. Proprietary directors: those who represent the sole member and who are not executive directors.
  - c. External directors: those who do not perform management duties within the Company or represent the sole member.
2. The appointment of external directors by the sole member in the exercise of the powers of members acting at a General Members' Meeting shall evaluate, based on the personal and professional qualities of the candidate, whether such candidate can carry out the duties of director without being constrained by relationships with the Company, with any other company of the Group, or with the directors, significant shareholders or members of management thereof.
3. The classification of the director shall not affect the autonomy with which the director must perform the duties of the position and therefore compliance with the director's duties of diligence, loyalty and faithfulness to the Company.
4. The Company shall provide new members of the Board of Directors with an Orientation Programme, which shall be intended to facilitate their active participation from the outset, and shall develop a regular training plan to ensure the refreshment of their knowledge.

#### **Article 21. Chair and Vice-Chair**

1. The Board of Directors shall elect from among its members a chair who shall exercise the powers that correspond thereto in accordance with law and these *By-Laws*, and particularly the following:
- a. Call and preside over meetings of the Board of Directors, setting the agenda for the meetings and directing the discussion and debate.
  - b. Bring to the Board of Directors those proposals that the chair deems appropriate for the efficient running of the Company, particularly those corresponding to the operation of the Board of Directors itself.
  - c. Ensure, with the collaboration of the secretary of the Board of Directors, that the directors receive in advance sufficient information regarding the items on the agenda.

- d. Stimulate debate among and the active participation of the directors during meetings, safeguarding their freedom to take positions.
  - e. Drive the work of any consultative committees of the Board of Directors and endeavour to ensure the efficiency thereof in the performance of their duties and responsibilities, as well as the availability of required material and human resources.
  - f. Invite to the meetings of the Board of Directors all those persons who may contribute to improving the information contemplated by the directors during the decision-making portion of the meetings.
2. The Board of Directors shall, if it so decides, elect a vice-chair upon a proposal of the chair. If the Board of Directors has elected a vice-chair, the vice-chair shall temporarily replace the chair of the Board of Directors in the event of vacancy, absence, illness or incapacity. In the absence of a vice-chair, the chair shall be replaced by the director with the longest length of service in office, and in case of equal length, by the oldest.
  3. The chair and any vice-chair of the Board of Directors who are re-elected as members of the Board of Directors by a decision of the sole member in the exercise of the powers of members acting at a General Members' Meeting shall continue to hold said positions within the Board of Directors without the need for a new election and without prejudice to the Board of Directors' power of revocation with respect to said positions.

### Article 22. Chief Executive Officer

1. The Board of Directors, upon a proposal of the chair thereof, and with the favourable vote of two-thirds of the directors, may appoint from among the directors a chief executive officer (*consejero delegado*) with the powers it deems appropriate and which may be delegated pursuant to law and these *By-Laws*.
2. The position of chief executive officer may also be held by the chair of the Board of Directors.
3. The chief executive officer, if any, shall be responsible for the day-to-day management and administration of the Company under the supervision of the Board of Directors, and particularly the following:
  - a. Propose to the Board of Directors the short- and long-term strategic objectives, plans of activities for the development of the businesses and budgets of resources needed for the achievement thereof, also submitting to the Board of Directors the proposed results of the business.
  - b. Perform the duties of day-to-day administration and effective management of the businesses in accordance with the strategic objectives, plans and budgets approved by the Board of Directors and strictly in compliance with legal provisions on the separation of regulated activities.
  - c. Perform the duties of planning and conduct of the Company's management, taking into account the recommendations of the global or local business committees and the support from the corporate functions at the Group level, in order to generate and capitalise on synergies with a view to maximising the value of the businesses as a whole, particularly fostering the innovation and digital transformation strategy.

### Article 23. Secretary and Deputy Secretary

1. The Board of Directors, upon a proposal of the chair, shall appoint a secretary, who need not be a director, and who shall perform the duties assigned thereto by law, the Company' Governance and Sustainability System, and particularly the following:
  - a. Maintain a minute book of the decisions of the sole member in the exercise of the powers of members acting at a General Members' Meeting, while also ensuring the maintenance and custody of said minute book. Without prejudice to the foregoing, the secretary shall inform the secretary of the Board of Directors of the sole member of the minutes recording the decisions of the sole member that are adopted.

The secretary shall also inform the Board of Directors of the decisions that the Company has made as sole member in the exercise of the powers of members acting at a General Members' Meeting of the companies in which it has the status of sole member, maintaining a register of certifications of the minutes recording the decisions of the sole member.
  - b. Maintain the register of contracts between the sole member and the Company, ensuring the maintenance and custody of said register.
  - c. Maintain the minute book of the Board of Directors and any other management decision-making bodies in which he or she holds the position of secretary, duly reflecting therein the proceedings of the meetings, and also ensuring the maintenance and custody of said books and of the corporate documentation generated in relation to the operation of said management decision-making bodies.

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- d. Maintain the books referred to in paragraphs a), b) and c) above upon the terms and for the periods established by the Board of Directors, and in any event for the minimum periods provided by law. Upon leaving office, the secretary must transfer to the incoming secretary the corporate documents that the secretary has maintained and kept in custody on the terms and for the periods referred to above.
  - e. Ensure the formal and substantive legality of the actions of the Board of Directors and other management decision-making bodies in which he or she holds the position of secretary, as well as the compliance of such actions with law and the Company's Governance and Sustainability System, taking into account for this purpose, among others, any orders issued by regulatory bodies.
  - f. Advise the Board of Directors in relation to the development and updating of the Company's Governance and Sustainability System in accordance with the provisions of these *By-Laws*.
  - g. Generally act as a channel in relations between the Company and the directors in connection with all matters relating to the operation of the Board of Directors, in compliance with the instructions of the chair thereof.
  - h. Assist the chair of the Board of Directors so that the directors receive information relevant to the exercise of their duties sufficiently in advance and in the proper format, while also channelling requests for information and documentation by directors regarding those matters of which the Board of Directors should be aware.
  - i. Perform the duties set forth in paragraphs f) and g) above with respect to the committees of the Board of Directors in which he or she acts as secretary.
  - j. Decide on the information that should be included on the Company's corporate website pursuant to the Governance and Sustainability System.
  - k. Endeavour to ensure, under the supervision of the chair of the Board of Directors, the efficient coordination of the Board with internal committees with duties of consultation or support to the Board of Directors, particularly with respect to the establishment of required information flows.
2. The secretary must state for the record the opposition thereof to resolutions that are contrary to law, to the Company's Governance and Sustainability System or to the corporate interest.
  3. The Board of Directors, if it so decides and upon a proposal of the chair, may appoint a deputy secretary, who need not be a director, and who shall replace the secretary in the event of vacancy, absence, illness or incapacity. In the absence of a secretary and a deputy secretary, the director that the Board of Directors appoints from among those present at a particular meeting shall act as such.
  4. The Board of Directors may also appoint a person to act as legal counsel to the Company's management decision-making body if such position is required under applicable law. The secretary or the deputy secretary, if any, may assume the duties of legal counsel if they are practising attorneys and satisfy the other requirements established by applicable law and it is so decided by the Board of Directors.
  5. The secretary and the deputy secretary, if any, of the Board of Directors who are re-elected as members of the Board of Directors by decision of the sole member in the exercise of the powers of members acting at a General Members' Meeting shall continue to perform the duties they previously carried out within the Board of Directors, without the need for a new appointment and without prejudice to the Board of Directors' power of revocation with respect to said positions.

#### **Article 24. Meetings of the Board of Directors**

1. The Board of Directors shall meet with the frequency that the chair of the Board of Directors deems appropriate, and at least once per quarter. Prior to the commencement of each financial year, the Board of Directors shall set a schedule for its ordinary meetings, which may be changed by resolution of the Board of Directors itself or by decision of the chair thereof. The meetings shall generally be held in person at the registered office or at the place, in Spain or abroad, designated in the call to meeting.
2. If so decided by the chair of the Board of Directors, a meeting may be called to be held at several connected places or on-line by using remote communication systems that permit the recognition and identification of the attendees, permanent communication among them and participation in discussion and the casting of votes, all in real time, which meeting shall be deemed to be held at the registered office, and by complying with the procedures ensuring that connections are made while fully ensuring the identity of the participants, the duty of secrecy and the protection of the corporate interest in securing access to the information transmitted and generated at the meeting, both during the deliberations therein and with respect to the decisions and resolutions adopted, with the directors being required to comply with the security and privacy protocols established by the Company. The directors in attendance at any of such interconnected places shall be deemed for all purposes to have attended the same individual meeting of the Board of Directors.

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3. Meetings of the Board of Directors shall be called by e-mail or by any other medium that provides verification thereof, and the call to meeting shall be approved with the signature of the chair, or that of the secretary or deputy secretary by order of the chair. The call to meeting shall be sent sufficiently in advance for the directors to receive it no later than the third day prior to the date of the meeting, except for meetings that must be called on an urgent basis. Unless otherwise justified, the call to meeting shall always include the agenda for the meeting and shall be accompanied by any information deemed necessary.

Both the call to meeting and generally any communication to the directors shall be made to the e-mail address that the director has provided to the Company when accepting the position, with the director being required to notify the Company of any change in this regard.

4. The call to meeting and any information deemed necessary, as well as any other communication, shall be sent or made available to the directors through the use of new technologies, and particularly through the directors' website as a fundamental tool for the efficient performance of the duties of the Board. Meetings of the Board of Directors may be cancelled or suspended, or the date, agenda or place thereof changed, using the same procedure. Otherwise, the call to meeting shall be sent to the e-mail address that the director has provided to the Company when accepting the position, with the director being required to notify the Company of any change in this regard, without prejudice to mandatory restrictions regarding the use by the directors of the systems, applications and information technology and remote access elements made available thereto by the Company.
5. Without prejudice to the foregoing, the Board of Directors shall be deemed to have validly met without the need for a call to meeting if all of the directors are present in person or by proxy and unanimously agree to hold the meeting as a meeting of all directors without notice and to the items of the agenda to be dealt with.
6. On an exceptional basis, based on the circumstances in each case, the chair of the Board of Directors may authorise the attendance at the meeting of one or more directors by using remote connection systems that permit the recognition and identification thereof, permanent communication with the place where the meeting is held, and their participation therein and the casting of votes, all in real time, for which purpose the procedures referred to in section 3 above shall be adopted, if appropriate. Directors connected remotely shall be deemed for all purposes to have attended the meeting of the Board of Directors.
7. The chair may invite all those who may contribute to improving the information provided to the directors to attend the meetings of the Board of Directors or for certain items on the agenda. The chair may authorise the remote attendance thereof if the chair deems it appropriate, based on the provisions of section 6 above. The secretary shall record in the minutes the entries and exits of guests at each meeting.

## Article 25. Quorum for the Meeting and Majorities Required to Adopt Resolutions

1. The adoption of resolutions of the Board of Directors shall require the attendance at the meeting, in person or by proxy, of a majority of the directors.
2. All of the directors may cast their vote and give their proxy in favour of another director. The proxy granted shall be a special proxy for the meeting of the Board of Directors in question, and may be communicated to the chair or to the secretary by any of the means provided for calls to meeting.
3. The chair of the Board of Directors, as the person responsible for the efficient operation thereof, shall stimulate the debate and active participation of the directors during its meetings, safeguarding their freedom to make decisions and express their opinion.
4. Resolutions shall be adopted by an absolute majority of votes present and represented at the meeting, unless they refer to a permanent delegation of powers and the appointment of the directors who are to exercise them, which shall require the favourable vote of at least two thirds of the directors. Excepted from the foregoing are those cases in which the law, these *By-Laws* or the Governance and Sustainability System provide for other majorities. In the event of a tie, the chair of the Board of Directors shall have the tie-breaking vote.
5. Voting by the Board of Directors may occur in writing without a meeting provided that no director objects thereto. In this instance, the directors may deliver to the secretary of the Board of Directors, or to whomever assumes the duties thereof in each case, their votes and the considerations they wish to have recorded in the minutes, using any method allowing for receipt thereof, without prejudice to the security and privacy protocols established by the Company. Resolutions adopted using this procedure shall be recorded in minutes prepared pursuant to the provisions of law.

## Article 26. Formalisation of Resolutions

1. The deliberations and resolutions of the Board of Directors shall be included in a minute book, and the minutes shall be signed by the chair and the secretary, or by the person(s) acting in place thereof, and shall be approved at the end of the meeting or at the next meeting. In this latter case, any portion of the minutes may be approved at the end of the corresponding meeting, provided that the text to which it refers has been made available to the directors prior to the meeting of the Board of Directors or has been read aloud prior to the adjournment of the meeting.

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2. The full or partial certificates required to certify the resolutions of the Board of Directors shall be issued and signed by the secretary or, where appropriate, by one of the deputy secretaries of the Board of Directors, with the approval of the chairman or, where appropriate, of one of the vice-chairmen.

#### **Article 27. Committees of the Board of Directors**

1. The Board of Directors may create as many internal committees as it deems appropriate with consultative or advisory duties or for the purpose of compiling reports or drafting proposals, as determined by the Board of Directors itself.
2. The committees shall be governed on a supplementary basis, to the extent not incompatible with the nature thereof, by the provisions of these *By-Laws* regarding the operation of and adoption of resolutions by the Board of Directors.
3. Any director, officer or professional of the Company may be asked to attend meetings of the committees upon request of their respective chair, who may also approve the attendance at their meetings of guests who can help their members be better informed for the performance of their duties.

#### **Article 28. Internal Audit and Risk Division**

1. The Company shall have an Internal Audit and Risk Division, which is configured as an independent internal management division which main activity is to independently and proactively ensure the effectiveness of the governance processes, risk management and internal controls of the Company and its subsidiaries, and whose responsible will be appointed by the Board of Directors

#### **Article 29. Compliance Unit**

1. The Company shall have a Compliance Unit, which shall be a collective, internal and permanent body configured in accordance with the highest standards of independence and transparency and shall be linked to the Board of Directors, and whose members shall be appointed thereby in accordance with the provisions of the Regulations of the Compliance Unit.

#### **Article 30. Principles of Internal Audit and Risk Division and Compliance Unit**

1. The Company's Internal Audit and Risk Division and the Compliance Unit shall exercise their functions with full autonomy, without prejudice to the establishment of an appropriate framework for information and collaboration on the performance of their functions with the Internal Audit and Risk Division and with the Compliance Unit of Iberdrola España, which, where appropriate, will channel the corresponding information and collaboration relations between the aforementioned bodies and their counterparts in IBERDROLA, S.A.

### **Section Four. Rules Applicable to Directors**

#### **Article 31. General Duties of Directors**

1. The directors must carry out their office and comply with the duties imposed by law, the Company's Governance and Sustainability System and these *By-Laws*. In performing their duties, the directors shall act with the diligence of a prudent businessperson and the loyalty of a faithful representative, taking into account the nature of the office and the duties assigned to each of them, acting in good faith and to protect the corporate interest, in any case giving priority to the interest of the Company over their own interests
2. If the Company is managed by a Board of Directors, the directors shall be particularly required to:
  - a. Properly prepare the meetings of the Board of Directors and, if applicable, of the Executive Committee or of committees of which the director is a member, for which purposes the director must diligently become apprised of the running of the Company and the matters to be discussed at such meetings.
  - b. Attend the meetings of the Board of Directors and of the committees of which the director is a member and actively participate in the deliberations in order that the director's opinion may be an effective contribution to decision-making. If the director is unable to attend the meetings to which the director has been called due to justified reasons, the director must give instructions to the director that is to represent him or her.
  - c. Fulfil any specific obligation that is entrusted to the director by the Board of Directors, by the chair thereof or by the chief executive officer, if any, and that reasonably falls within the director's scope of dedication.
  - d. Inform the Board of Directors of any irregularities in the management of the Company of which the director may have had notice, and monitor any situation of risk.
  - e. Propose a call to an extraordinary meeting of the Board of Directors or the inclusion of new matters in the agenda for the next meeting to be held, in order that deliberations may be conducted on such issues as the director deems advisable.





- f. Oppose resolutions that are contrary to law, the *By-Laws*, the Company's internal corporate governance rules or the corporate interest, request that such opposition be recorded in the minutes, and pursue the challenge of said resolutions.
3. If the Company is managed by a Board of Directors, the secretary, and the deputy secretary of the Board of Directors, if any, shall be responsible for fulfilling those obligations of the directors that apply thereto due to the nature of their office.

## Article 32. Duty of Confidentiality

1. A director shall endeavour to ensure the confidentiality thereof, shall not disclose any information, data, reports or background information to which the director may have had access while in office, and shall not use any of the foregoing for the director's own benefit or for the benefit of any other third party, without prejudice to the duties of transparency and information imposed by applicable law. A director must also observe the restrictions established for the use of the systems, applications, and information technology and remote access elements made available thereto by the Company.
2. A director's duty of confidentiality shall survive even after the director no longer holds such position, except in those cases allowed or required by law.
3. Said duty shall not obstruct the normal flow of information between the Company and the rest of companies belonging to the Group within the framework of the coordination thereof within the overall strategy of the Group in the interest of all the companies that comprise it, without prejudice to the obligations arising from applicable legal provisions.
4. Directors who cease to hold office must return all corporate documentation to which they have had access in the performance of their duties, including information stored in any corporate or personal medium or device, and must expressly confirm at the request of the Company that they have complied with this obligation.

## Article 33. Duty Not to Compete

1. A director may not be a director or officer of, or provide services to, another company whose object is similar, in whole or in part, to the object of the Company or which is a competitor thereof. Excepted from the foregoing restriction are the duties that may be performed and the offices that may be held (i) in companies belonging to the Group, (ii) in companies in which the director acts as a representative of the interests of the Group, and (iii) in companies in which any of the companies belonging to the Group has an interest and in which the director does not act as a representative of the interests of the Group, unless the Board of Directors, if one exists, or the sole member in the absence thereof, finds that the corporate interest is compromised.
2. A waiver of the obligation not to compete may only be approved if no harm to the company is to be expected or if the expected harm is outweighed by the benefits expected to accrue from the waiver. It shall be granted, where required by law, by the sole member by express resolution and under a separate item on the agenda. In other cases, the waiver may be granted by the Board of Directors, if one exists.
3. A director who ceases to hold the office to which the director was appointed or who for any other reason ceases to act as such, may not be a director or officer of, or provide services to, any entity whose object is similar, in whole or in part, to that of the Company or which is a competitor of the Company, for a term of two years, unless it is an entity within the Group. The Board of Directors, if any, or in the absence thereof the sole member, may, if it deems it appropriate, relieve the outgoing director from this restriction or reduce it to a shorter period.

## Article 34. Conflicts of Interest

1. Directors must adopt the measures necessary to avoid entering into conflicts of interest pursuant to the provisions of law.
2. A conflict of interest shall be deemed to exist in those situations provided by law, and particularly when the interests of the director, either for their own or another's account, directly or indirectly conflict with the interest of the Company or of companies within the Group and with their duties to the Company.

An interest of the director shall exist when the matter affects the director or a person connected thereto.

3. Without prejudice to the provisions of section 1 above, conflicts of interest shall be governed by the following rules:
  - a. Communication: once a director becomes aware of being in a situation of conflict of interest, the director must give written notice of the conflict to the management decision-making body as soon as possible.

The notice shall contain a description of the situation giving rise to the conflict of interest, with a statement as to whether it is a direct conflict or an indirect conflict through a connected person, in which case the latter person must be identified.

The description of the situation must include, as applicable, the subject matter and the principal terms of the transaction or the planned decision, including the amount thereof or an approximate quantification thereof.

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Any question as to whether a director might be involved in a conflict of interest must be forwarded to the management decision-making body/the other directors, and the director must refrain from taking any action until it is resolved.

- b. Abstention: if the conflict arises from a transaction or circumstance that requires any kind of operation, report, decision or acceptance, the director must refrain from taking any action until the management decision-making body studies the case and adopts and informs the director of the appropriate decision, without prejudice to the exceptions established by law.

To this end, the director shall leave the meeting during the deliberation and voting on those matters in which the director is affected by a conflict of interest, and shall not be counted in the number of members attending for purposes of the calculation of a quorum and the majorities required for approval of resolutions.

If there is a Board of Directors, at each of its meetings and of the committees thereof, the secretary shall remind the directors, before dealing with the agenda, of the communication and abstention rule established in this article.

- c. Transparency: whenever required by law, the Company shall report any cases of conflict of interest in which the directors have been involved during the financial year in question and of which the Company is aware by reason of notice given thereto by the director affected by such conflict or by any other means.
4. The management decision-making body shall prepare a register of the conflicts of interest reported by the directors, which shall be continuously updated. The information contained in said register shall have a level of detail allowing for a sufficient understanding of the scope of each of the situations of conflict.

### Article 35. Use of Corporate Assets

1. A director may not use the Company's assets, including confidential information, or profit from the director's position, for private purposes, unless arm's length consideration has been paid and it is a standardised service.
2. On an exceptional basis, the director may be relieved from the obligation to provide such consideration, but in any such case the financial benefit shall be deemed remuneration in kind and must be authorised by the management decision-making body.

### Article 36. Non-Public Information

A director may use non-public information of the Company for private purposes only if the following conditions are satisfied:

- a. That such information is not applied with respect to transactions for the purchase or sale of securities or financial instruments of the issuer to which the information directly or indirectly refers.
- b. That it does not place the director in a position of advantage vis-à-vis third parties, including suppliers and customers.
- c. That the use thereof does not cause any harm to the Company.
- d. That the Company does not own proprietary rights in, or have a similar legal position with respect to, the information that the director wishes to use.

### Article 37. Business Opportunities

1. A director may not take advantage of a business opportunity of the Company, either for the director's own benefit or for the benefit of connected persons, unless the investment or transaction has previously been offered to the Company, the Company has chosen not to take advantage of it without any pressure from the director, and the director has been authorised by the Board of Directors, if one exists, or the sole member in the absence thereof, to profit from the transaction.
2. For purposes of the preceding section, a business opportunity shall be deemed to be any possibility of making an investment or a business transaction that has arisen or has been discovered in connection with the director's performance of duties as such, or through the use of means and information belonging to the Company, or in circumstances such that it is reasonable to believe that the third party's offer was in fact addressed to the Company.
3. Likewise, a director shall not use the Company's name and shall not invoke the position thereof as director of the Company in order to carry out transactions for the director's own account or for the account of connected persons.

### Article 38. Related-Party Transactions

1. "**Related-Party Transactions**" shall be those transactions carried out by the Company or its controlled companies with their directors and with Members of Senior Management or with their respective related parties, as well as transactions carried out by the Company with its parent company or with other companies of the Iberdrola Group subject to conflicts of interest.
2. For purposes of these *By-Laws*, the following shall be deemed to be "**Related Parties**" of the directors and of Members of Senior Management:

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- a. The spouse of a director / Member of Senior Management or persons connected thereto by a like relationship of affection.
  - b. The ascendants, descendants and siblings of the director / Member of Senior Management or the spouse thereof.
  - c. The spouses of the ascendants, descendants and siblings of the director / Member of Senior Management.
  - d. Companies or entities in which the director / Member of Senior Management directly or indirectly holds, including through an intermediary, an interest that gives them significant influence, or companies or entities, or the controlling company thereof, in which they hold a position on the management decision-making body or within the senior management thereof. For these purposes, it is assumed that any interest equal to or greater than 10% of the share capital or voting rights or based on which it has been possible to obtain representation on the company's management decision-making body, in fact or by law, provides a significant influence.
  - e. The members represented by the director on the management decision-making body.
3. By way of exception to the provisions of section 1, those transactions not classified as such by law, and particularly the following, shall not be deemed to be a Related-Party Transaction: (i) transactions entered into by the Company with its sole member or with its wholly-owned controlled companies; (ii) transactions carried out by the Company with its controlled companies or investees provided that neither the directors nor the Members of Senior Management nor their respective Related Parties have in turn a significant interest in the controlled company or investee; (iii) transactions carried out on standard terms for customers and that are not significant, understood as those whose reporting is not necessary to give a true and fair view of the assets and liabilities, financial position and results of the Company; and (iv) the approval by the management decision-making body of the terms and conditions of the contract to be entered into between the company and any director who is to perform executive duties, including, if applicable, the chief executive officer or officers, and the determination by the management decision-making body of the specific amounts or remuneration to be paid under such contracts.
  4. Related-Party Transactions must be approved by the sole member, in the exercise of the powers of members acting at a General Members' Meeting, in the instances provided by law, and particularly if they relate to a transaction having a value of more than ten per cent of the corporate assets.
  5. In other situations in which the law does not require the approval of the sole member, in the exercise of the powers of members acting at a General Members' Meeting, Related-Party Transactions shall be subject to the approval of the management decision-making body.
  6. The management decision-making body shall ensure that Related-Party Transactions are fair and reasonable from the viewpoint of the Company.
  7. Without prejudice to the provisions of section 5 above, the management decision-making body may delegate the approval of Related-Party Transactions when so allowed by law, and particularly those of the Company with its controlling companies or other companies controlled thereby belonging to the Group and subject to a conflict of interest, provided that they are transactions entered into in the ordinary course of business, which shall include those resulting from the execution of a master agreement or contract and concluded on arm's-length terms.

The management decision-making body must establish a regular internal reporting and control procedure in relation to the delegated transactions to which this section refers in order to verify the fairness and transparency of such transactions and compliance with any applicable criteria to allow for the delegation.

8. The execution of a Related-Party Transaction puts the director engaging in said transaction or who is connected to the person engaging in the transaction in a conflict of interest, for which reason, to the extent applicable, the provisions of Article 34 above shall apply.
9. The directors must give written notice, on an annual basis, within the first quarter of each year, regarding the Related-Party Transactions in which they or persons connected thereto have engaged during the immediately preceding period. The Members of Senior Management must do so through the Compliance Division, which must forward the information received to the management decision-making body.

Without prejudice to the foregoing, directors must immediately inform the management decision-making body in writing of any Related-Party Transaction relating to them or to persons connected to them that must be approved by the management decision-making body or the sole member, pursuant to the provisions of Articles 34 or 39 or to the provisions of law.

The notice of Related-Party Transactions must include the following information: (i) object and nature of the transaction; (ii) date on which it originated; (iii) main terms and conditions, including the value or the amount of the consideration and the terms and

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conditions of and periods for payment; (iv) identity of the persons who participated in the transaction and the relationship, if any, with the director; and (v) other aspects, such as pricing policies, guarantees, and any other feature of the transaction that allows for a proper assessment thereof, particularly including such information as allows for verification that it is fair and reasonable from the viewpoint of the Company.

10. The management decision-making body shall prepare a register of Related-Party Transactions, except with respect to the Related-Party Transactions of the Members of Senior Management, which shall be prepared by the Compliance Division.
11. The management decision-making body shall report to the sole member regarding Related-Party Transactions on an annual basis.

### **Article 39. Duty to Disclose Information**

1. A director must notify the Company of any holdings in the capital of any company with an activity that is the same, similar or complementary to the activity constituting the corporate object, and the positions held or duties performed by the director therein, as well as the performance on the director's own behalf or on behalf of others of any type of activity that is complementary to the activity constituting the corporate object of the Company. This disclosure shall be included in the notes to the annual financial statements as required by law.
2. A director must also disclose to the Company:
  - a. All positions the director holds at and services the director provides to other companies or entities, other than those within the Group, as well as the director's other professional commitments. In particular, the director must inform the management decision-making body before accepting office as director or officer at another company or entity (except for the positions the director is called upon to hold at companies belonging to the Group or at other companies in which the director represents the interests of the Group).
  - b. Any substantial change in the director's professional status that may affect the condition or capacity by virtue of which the director may have been appointed as such.
  - c. Any judicial, administrative or other proceedings instituted against the director which, because of their significance or characteristics, may seriously reflect upon the reputation of the Company. In particular, every director must inform the Company, through its chair, in the event that the director is subject to an investigation or if an order for further prosecution or an order for commencement of an oral criminal trial is issued against the director for the commission of any of the crimes set out in Section 213 of the Companies Act. In this case, the management decision-making body shall review this circumstance as soon as practicable and shall adopt the decisions it deems appropriate taking into account the interests of the Company.
  - d. In general, any fact or event that may be relevant to the holding of office as a director of the Company.

### **Article 40. Term of Office, Resignation and Cessation of Office**

1. Directors shall serve in their position for a term of four years, so long as the sole member in the exercise of the powers of members acting at a General Members' Meeting does not resolve to remove them and they do not resign from their position. In particular, directors must submit their resignation from the position and formally resign upon the occurrence of any of the instances of disqualification or prohibition against performing the duties of director provided by law.
2. Directors may be re-elected to one or more terms of four years.

### **Article 41. Director Remuneration**

1. The sole member, in exercise of the powers of members acting at a General Members' Meeting, shall establish fixed remuneration for some or all of the directors in their capacity as such, based on their circumstances and the duties or positions assigned thereto.
2. Furthermore, and also based on their circumstances, all or some of the directors may receive an allowance for attending meetings of the management decision-making body or of the committees of which they are a member.
3. Said amounts, determined by the sole member in the exercise of the powers of members acting at a General Members' Meeting, shall remain in force for as long as they are not modified by a new decision of the sole member.
4. The remuneration of directors who perform executive duties shall be set by the management decision-making body upon the terms provided by law, within the limit established by the sole member in the exercise of the powers of members acting at a General Members' Meeting, which limit shall remain in force for so long as the sole member does not approve a change thereto. This remuneration shall include a fixed allocation, variable remuneration that will depend on meeting certain objectives pre-established by the management decision-making body, severance pay, and the savings or retirement schemes that the management decision-making body deems appropriate.

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5. All rights and duties arising from membership on the management decision-making body shall be compatible with all other rights, duties and severance payments to which the director may be entitled by reason of any other employment or professional relationships that such director may have with the Company.
6. The Company may obtain liability and legal defence insurance for the directors in relation to the performance of their duties as such, as well as, where appropriate, life insurance in favour thereof. The premiums corresponding to liability insurance legal defense and life insurance that the Company obtains for the benefit of the directors in relation to the exercise of the functions of the position of director shall form a part of the remuneration.

## Article 42. Powers of Information and Inspection

A director shall have the broadest powers to obtain information regarding any aspect of the Company, to examine its books, records, documents and other background information on corporate transactions, to inspect all of its facilities and to communicate with the officers of the Company, without prejudice to the limitations arising from any applicable legal provisions.

## Article 43. Assistance of Experts

1. In order to be assisted in the performance of the duties entrusted thereto, any director may request the hiring of legal, accounting, technical, financial, commercial or other expert advisers, whose services shall be paid for by the Company.  
The assignment must deal with specific issues of certain significance and complexity arising during the performance of the director's duties.
2. The request for an expert to be hired shall be channelled through the management decision-making body, who may subject it to the prior approval of the management decision-making body; such approval may be denied in well-founded instances, including the following circumstances:
  - a. That it is not necessary for the proper performance of the duties entrusted to the directors.
  - b. That the cost thereof is not reasonable in light of the significance of the issues and the assets and income of the Company.
  - c. That the technical assistance sought may be adequately provided by the Company's own experts and technical personnel.
  - d. That it may entail a risk to the confidentiality of the information that must be made available to the expert.

## TITLE IV. FINANCIAL YEAR AND FINANCIAL AND NON-FINANCIAL INFORMATION

### Article 44. Financial Year and Submission of Annual Financial Statements

1. The financial year shall commence on 1 January and shall end on 31 December of each year.
2. The annual financial statements and the directors' report shall be prepared following the structure, the principles and the instructions contained in applicable legal provisions.
3. Within the first three months of the year, the management decision-making body shall prepare the annual financial statements, the directors' report and the proposed allocation of profits or losses in accordance with applicable law and the Governance and Sustainability System. The annual financial statements and the directors' report must be signed by all directors. The lack of a signature in any of them shall be shown in each of the documents where it is missing, along with an express statement of the reasons therefor.

### Article 45. Statutory auditors

1. The annual financial statements and the directors' report must be reviewed by statutory auditors.
2. The statutory auditors shall be appointed by the sole member in the exercise of the powers of members acting at a General Members' Meeting before the end of the financial year to be audited, for an initial specified period that may not be less than three years nor more than nine from the date of commencement of the first financial year to be audited, and may be re-elected by the sole member in the exercise of the powers of members acting at a General Members' Meeting, upon the terms provided by law after the end of the initial period.
3. The statutory auditors shall prepare a detailed report on the results of their activity, pursuant to the legal provisions on auditing of accounts.

### Article 46. Approval of Financial Statements and Allocation of Profits/Losses

1. The Company's annual financial statements and directors' report shall be submitted for the approval of the sole member in the exercise of the powers of members acting at a General Members' Meeting, and the sole member shall also decide upon the allocation of profits/losses for the financial year in accordance with the approved balance sheet.

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2. Once the reserves required by law or these *By-Laws* have been covered, dividends charged to the profit for the year or to unrestricted reserves may only be distributed if the book value of net equity is not or will not be less than the share capital as a result of the distribution.
  3. If the sole member, in the exercise of the powers of members acting at a General Members' Meeting, decides to distribute dividends, the sole member shall determine the time and the method of payment. The establishment of these standards and of any others that may be required or appropriate to carry out the decision may be delegated to the management decision-making body.
  4. The sole member may resolve that the dividend be paid wholly or partly in kind.

#### **Article 47. Preparation, Verification and Approval of Non-Financial Information**

1. The management decision-making body shall prepare any statement of non-financial information within the period and in accordance with the provisions of applicable law and the Governance and Sustainability System, offering a clear and reliable description of the social, environmental and sustainability performance of the Company and its controlled companies, as well as the social dividend generated and shared with its Stakeholders.
2. The statement of non-financial information shall be reviewed by an external provider of assurance services appointed by the management decision-making body.
3. The provider of said service must comply with the professional and independence requirements of applicable law and those set out in the Governance and Sustainability System.
4. The Company may not prepare the statement of non-financial information if the Company and its controlled companies are included in the consolidated statement of non-financial information prepared by its sole member.
5. If prepared, the statement of non-financial information of the Company shall be subject to the approval of the sole member.

### **TITLE V. dissolution and liquidation**

#### **Article 48. Dissolution**

The Company shall be dissolved upon the occurrence of any of the grounds established by law, which must be ascertained and assessed in accordance with the provisions of the Governance and Sustainability System, which shall supplement the provisions of applicable law in this regard.

#### **Article 49. Liquidation of the Company**

1. From the moment the Company declares itself to be in liquidation, the management decision-making body shall cease its duties and the directors shall become liquidators of the Company and constitute a collective body with an odd number of members. If necessary for such purpose, the director having the least length of service since appointment or, in case of equal length, the director who is younger, shall cease to hold office.
2. During the liquidation period, the sole member shall be informed of the progress of the liquidation procedure so that it can make the decisions it deems appropriate in the exercise of the powers of members acting at a General Members' Meeting.
3. The corporate decision-making bodies, within the scope of their respective powers, shall adopt such resolutions and make such decisions as are appropriate to finalise the liquidation, seeking the common interest of the shareholders, observing and complying with the *Purpose and Values of the Iberdrola Group* and its *Code of Ethics*, as well as the legitimate rights of all of its Stakeholders.

