

BY-LAWS

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TITLE I. THE COMPANY, ITS SHARE CAPITAL, AND ITS SHAREHOLDERS

Chapter I. General Provisions

Article 1. Company Name

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

Article 2. Applicable Legal Provisions and Corporate Governance System

1. The Company is governed by the legal provisions relating to listed companies and other applicable laws and regulations, as well as by its Corporate Governance System.
2. The Corporate Governance System is the Company’s internal system of rules, configured in accordance with applicable law in the exercise of corporate autonomy supported thereby, and that applies to the entire group of companies controlled by the Company. It is intended to ensure through rule-making the best development of the corporate object of the Company, as an international business entity that operates in quite varied economic, legal, and social contexts, as well as the fulfilment of the corporate interest.
3. The Corporate Governance System is made up of these *By-Laws*, the *Corporate Policies*, the internal corporate governance rules, which include the *Regulations for the General Shareholders’ Meeting*, the *Regulations of the Board of Directors* and those of its committees, and of the other internal codes and procedures approved by the competent decision-making bodies of the Company.
4. The shareholders acting at a General Shareholders’ Meeting and the Board of Directors, within their respective purview, develop, apply, and interpret the rules making up the Corporate Governance System in order to ensure compliance at all times with the purposes thereof and, particularly, the fulfilment of the corporate interest.

Article 3. Corporate Interest and Ethical Principles

1. The Company pursues the fulfilment of the corporate interest, which is understood as the common interest of all shareholders of an independent company oriented towards the sustainable exploitation of its corporate object and the creation of long-term value for the shareholders’ benefit, taking into account other stakeholders related to its business activity and to its institutional reality, and especially the legitimate interests of the various communities and territories in which the Company acts and those of its employees.
2. The Company aspires for its conduct and that of the persons connected therewith to conform and adhere not only to applicable law and its Corporate Governance System but also to ethical principles and generally accepted principles of social responsibility. The Board of Directors has for such purpose approved a *Code of Ethics* that includes this commitment under the *By-Laws*.

Article 4. Object of the Company

1. The Company’s object is:
 - a) To carry out all manner of activities, works, and services inherent in or related to the business of production, transmission, switching, and distribution or supply of electric power or electricity by-products and applications thereof, and the raw material or energy needed for the generation thereof; energy, engineering, information-technology, telecommunications, and internet-related services; water treatment and distribution; the integral provision of urban and gas supply, as well as other gas storage, regasification, transportation, or distribution activities, which will be carried out indirectly through the ownership of shares or equity interests in other companies that will not engage in the supply of gas.
 - b) The distribution, representation, and marketing of all manner of goods and services, products, articles, merchandise, software programs, industrial equipment and machinery, tools, utensils, spare parts, and accessories.
 - c) The investigation, study, and planning of investment and corporate organisation projects, as well as the promotion, creation, and development of industrial, commercial, or service companies.
 - d) The provision of services assisting or supporting companies and businesses in which it has an interest or which are within its corporate group, for which purpose it may provide appropriate guarantees and bonds in favour thereof.
2. The aforementioned activities may be carried out in Spain as well as abroad, and may be carried out, in whole or in part, either directly by the Company or through the ownership of shares or equity interests in other companies, subject in all cases and at all times to applicable legal provisions for each industry, especially the electricity industry.

Article 5. Duration

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

Article 6. Registered Office

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

Article 7. The Iberdrola Group

1. The Company is configured as a listed holding company and is the controlling entity of a multinational group of companies (the “Group”).
2. The corporate and governance structure of the Company is defined based on the following:

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- a) The Company has duties relating to the design of the Corporate Governance System and to the establishment, supervision, and implementation of the policies and strategies of the Group, of the basic guidelines for the management thereof, and of decisions on matters of strategic importance at the Group level.
- b) The country subholding companies, which are directly or indirectly subordinate to the Company, carry out the function of organisation and strategic coordination in those countries where the Board of Directors of the Company so decides.
These entities, which group together equity stakes in the business subholding companies in the various countries in which the Group operates, are also responsible for disseminating, implementing, and ensuring compliance with the policies, strategies, and general guidelines of the Group in each of the countries in which it operates, taking into account the characteristics and unique aspects of such countries.
- c) Finally, the business subholding companies of the Group are in charge of the day-to-day administration and effective management of each one of the Group's businesses within a country, as well as the day-to-day control thereof.

Article 8. Permanent Contact with Shareholders and Transparency

Permanent contact with its shareholders and ongoing attention to the transparency of corporate information and of relations with its shareholders and with the market generally, in accordance with the provisions of law and the Corporate Governance System, are primary objectives of the Company.

Article 9. Corporate Website

1. The Company maintains a corporate website, envisaged as an instrument for channelling its relations with shareholders and investors, which is intended to foster their involvement in corporate life.
2. Through the corporate website:
 - a) shareholders and investors are provided with the documents and information required by law and the Corporate Governance System and other information deemed appropriate, taking into account the provisions of the preceding section;
 - b) shareholders are provided with the means to exercise the rights to receive information and to participation in the General Shareholders' Meeting recognised by law and by the Corporate Governance System; and
 - c) full or summarised versions of the rules making up the Corporate Governance System are published.

Chapter II. Share Capital and Shares

Article 10. Share Capital

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

Article 11. The Shares

1. The shares are represented in book-entry form.
2. If shares have not been entirely paid up, this circumstance shall be reflected in the corresponding book entry.
3. Unpaid subscriptions must be paid at the time fixed by the Board of Directors, within a period of five years from the date of the resolution approving the capital increase. The form and other circumstances of the payment shall be governed by the provisions of the resolution approving the capital increase, which may provide for cash as well as non-cash contributions.

Article 12. Shareholder Status

1. Each share of the Company confers upon its legitimate holder the status of shareholder, and vests such holder with the rights and obligations established by law and by the Corporate Governance System. In this regard, the Company shall acknowledge as a shareholder any party that appears entitled thereto as owner in the entries of the corresponding book-entry register.
2. The Company may, as legally allowed, access the information needed to fully identify its shareholders, including addresses and means of contact for communication with them.

Chapter III. The Shareholders

Article 13. Involvement of the Shareholders

The Company shall foster continuous and appropriate information for its shareholders, permanent contact therewith, and their involvement in corporate life. For this purpose, the Board of Directors shall establish the channels for participation through which the Company will foster their involvement with appropriate guarantees and coordination mechanisms.

Article 14. The Shareholders and the Corporate Governance System

1. The ownership of shares entails consent to the Corporate Governance System and the duty to respect and comply with the legally adopted decisions of the governance bodies of the Company.
2. Shareholders must exercise their rights vis-à-vis the Company and the other shareholders, and must comply with their duties, acting with loyalty, in good faith, and transparently, within the framework of the corporate interest as the paramount interest ahead of the private interest of each shareholder and in accordance with the Corporate Governance System.

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TITLE II. THE GENERAL SHAREHOLDERS' MEETING

Article 15. The General Shareholders' Meeting

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

Article 16. Participation of the Shareholders

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

Article 17. Powers of the Shareholders Acting at a General Shareholders' Meeting

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

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Article 18. Call to the General Shareholders' Meeting

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

Article 19. Shareholders' Right to Receive Information

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

Article 20. Place of the Meeting

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

Article 21. Establishment of a Quorum for the General Shareholders' Meeting

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

Article 22. Right to Attend

1. The holders of at least one voting share may attend the General Shareholders' Meeting and take part in deliberations thereof, with the right to be heard and to vote.
2. The General Shareholders' Meeting may be attended by going to the place where the meeting is held or, if so indicated in the call to meeting, to other places provided for such purpose by the Company and that are connected with the principal meeting place by systems that allow recognition and identification of the parties attending, permanent communication among the attendees regardless of their location, and participation and voting, all in real time. Attendees at any of such places shall be considered to be attendees at the same individual meeting, which shall be deemed to have been held at the principal location thereof.
3. In order to exercise the right to attend, shareholders must cause the shares to be registered in their name in the corresponding book-entry register at least five days prior to the day on which the General Shareholders' Meeting is to be held.

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- The chair of the General Shareholders' Meeting may authorise the attendance of officers, employees, and other persons related to the Company. The chair may also grant access to the media, to financial analysts, and to any other person the chair deems appropriate, as well as authorise the simultaneous or delayed broadcast thereof, although the shareholders acting thereat may revoke such authorisation.

Article 23. Right to Proxy Representation

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

Article 24. Presiding Committee, Chair of, and Secretary for the General Shareholders' Meeting

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

Article 25. List of Attendees

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

Article 26. Deliberations and Voting

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

Article 27. Absentee Voting

- Shareholders may cast their absentee vote on proposed resolutions relating to the items on the agenda of the call to meeting by complying with the requirements of law and the Corporate Governance System.

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2. Shareholders that have cast their absentee vote shall be deemed present for purposes of the establishment of a quorum for the General Shareholders' Meeting.
3. Absentee votes must be received by the Company before 24:00 on the day immediately prior to the day set for the holding of the General Shareholders' Meeting upon first call or upon second call, as applicable.
4. The Board of Directors is authorised to develop the rules, means, and procedures for absentee voting, including applicable rules on priority and conflict.

Specifically, the Board of Directors may reduce the advance period set forth in section 3 above for receipt by the Company of absentee votes, and accept and authorise the chair of and the secretary for the General Shareholders' Meeting and the persons acting by delegation therefrom to accept, any absentee votes received after such period, to the extent permitted by the means available.

The chair of and the secretary for the General Shareholders' Meeting, from the constitution thereof, and the persons acting by delegation from either of them, shall be responsible for verifying and recognising the validity of the absentee votes cast in accordance with the provisions set forth in the Corporate Governance System and the rules established by the Board of Directors in implementation thereof.

5. Remote attendance at the General Shareholders' Meeting by means of data transmission and simultaneously and absentee electronic voting during the course of the General Shareholders' Meeting may be admitted if it is so established in the *Regulations for the General Shareholders' Meeting*, subject to the requirements set forth therein.

Article 28. Conflicts of Interest

1. A shareholder may not exercise the shareholder's right to vote at a General Shareholders' Meeting, either in person or by proxy, with respect to the adoption of a resolution to:
 - a) Relieve the shareholder of an obligation or grant the shareholder a right.
 - b) Provide the shareholder with any kind of financial assistance, including the provision of guarantees in favour thereof.
 - c) Release the shareholder, if a director, from obligations arising from the duty of loyalty established in accordance with the provisions of law.
2. The provisions of the preceding section shall also apply when the resolutions affect, in the case of an individual shareholder, the entities or companies controlled thereby, and in the case of corporate shareholders, the entities or companies belonging to their group (in the sense indicated in article 29.3 below), even if these latter companies or entities are not shareholders.
3. If the shareholder subject to any of the voting prohibitions above attends the General Shareholders' Meeting, such shareholder's shares shall be deducted from those in attendance for purposes of determining the number of shares upon which the majority needed for the adoption of the relevant resolutions shall be calculated.

Article 29. Approval of Resolutions

1. Except in cases in which the law or these *By-Laws* require a greater majority, the shareholders acting at a General Shareholders' Meeting shall adopt resolutions by simple majority of the shareholders present in person or by proxy, with a resolution being deemed adopted when it receives more votes in favour than against. Each voting share that is represented in person or by proxy at the General Shareholders' Meeting shall give the right to one vote.
2. No shareholder may cast a number of votes greater than those corresponding to shares representing ten (10%) per cent of share capital, even if the number of shares held exceeds such percentage of the share capital. This limitation does not affect votes corresponding to shares with respect to which a shareholder is holding a proxy as a result of the provisions of article 23 above, provided, however, that with respect to the number of votes corresponding to the shares of each shareholder represented by proxy, the limitation set forth above shall apply.
3. The limitation set forth in the preceding section shall also apply to the maximum number of votes that may be collectively or individually cast by two or more shareholders that are entities or companies belonging to the same group. Such limitation shall also apply to the number of votes that may be cast collectively or individually by an individual and the shareholder entity, entities, or companies controlled by such individual. A group shall be deemed to exist under the circumstances provided by law, and also when a person controls one or more entities or companies.
4. Shares deprived of voting rights pursuant to the application of the preceding sections shall be deducted from the shares in attendance at the General Shareholders' Meeting for purposes of determining the number of shares upon which the majorities needed for the approval of resolutions by the shareholders at a General Shareholders' Meeting shall be calculated.

TITLE III. MANAGEMENT OF THE COMPANY

Chapter I. General Provisions

Article 30. Management and Representation of the Company

1. The Company is managed and represented by the Board of Directors, its chairman, and, if applicable and if so approved by the Board of Directors, by an executive committee called the Executive Committee (*Comisión Ejecutiva Delegada*) and, also if so decided by the Board of Directors, by one or more chief executive officers (*consejeros delegados*).
2. Each of these bodies shall have the powers set forth in these *By-Laws*, the *Regulations of the Board of Directors*, and other applicable provisions of the Corporate Governance System, without prejudice to the provisions of law.

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Chapter II. The Board of Directors

Article 31. Regulation of the Board of Directors

The Board of Directors shall be governed by the provisions set forth in the law, these *By-Laws*, the *Regulations of the Board of Directors*, and the other applicable provisions of the Corporate Governance System.

Article 32. Powers of the Board of Directors

1. The Board of Directors has the power to adopt resolutions regarding all matters not assigned by law or the Corporate Governance System to the shareholders acting at a General Shareholders' Meeting.
2. Although the Board of Directors has the broadest powers and authority to manage and represent the Company, as a general rule of good governance, the Board of Directors shall focus its activities, pursuant to the Corporate Governance System, on the definition and supervision of the general guidelines to be followed by the Company and the Group, attending to the following matters, among others:
 - a) Establish, within legal limits, the policies, strategies, and guidelines of the Group, entrusting to the decision-making bodies and the management of the business subholding companies of the Group the duties of day-to-day administration and effective management of each of the businesses thereof.
 - b) Supervise the general development of the aforementioned policies, strategies, and guidelines by the country subholding companies and by the business subholding companies of the Group, establishing appropriate mechanisms of coordination and exchange of information in the interest of the Company and of the companies belonging thereto.
 - c) Decide on matters of strategic importance at the Group level.
3. The Board of Directors shall generally entrust to its chairman, to the chief executive officers, and to the senior officers the dissemination, coordination, and general implementation of the Group's management guidelines, acting in furtherance of the interests of each and every one of the companies belonging thereto.
4. The Board of Directors shall design, evaluate, and review the Corporate Governance System on an ongoing basis. It shall pay special attention to the approval of the *Corporate Policies*, which further develop the principles reflected in these *By-Laws* and in the other provisions of the Corporate Governance System and codify the guidelines that should govern the activities of the Company and its shareholders and the activities of the Group.

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

1. The Board of Directors shall be composed of a minimum of nine and a maximum of fourteen directors, who shall be appointed or ratified by the shareholders acting at a General Shareholders' Meeting, subject to the provisions of law and the requirements established by the Corporate Governance System.
2. The determination of the number of directors shall be the purview of the shareholders acting at a General Shareholders' Meeting, for which purpose the shareholders may establish such number either by express resolution or indirectly through the filling or non-filling of vacancies or the appointment of new directors within the aforesaid minimum and maximum numbers.
3. The following may not be appointed as directors or as individuals representing a corporate director:
 - a) Domestic or foreign companies competing with the Company in the energy industry or other industries, or the directors or senior officers thereof, or such persons, if any, as are proposed by them in their capacity as shareholders.
 - b) Individuals or legal entities serving as directors in more than three companies with shares trading on domestic or foreign stock exchanges.
 - c) Persons who, during the two years prior to their appointment, have occupied high-level positions in Spanish government administrations that are incompatible with the simultaneous performance of the duties of a director of a listed company under Spanish national or autonomous community law, or positions of responsibility with entities regulating the energy industry, the securities markets, or other industries in which the Group operates.
 - d) Individuals or legal entities that are under any other circumstance of incompatibility or prohibition governed by provisions of a general nature, including those that have interests in any way opposed to those of the Company or the Group.
4. The appointment, ratification, re-election, and removal of directors must comply with the provisions of law and the Corporate Governance System. Resolutions proposed to the shareholders at a General Shareholders' Meeting regarding the appointment, ratification, and re-election of directors must be accompanied by a report providing the rationale for the proposal.

Article 34. Types of Directors

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

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

The *Regulations of the Board of Directors* may further elaborate upon and develop these concepts within the framework established by law.

- 3. The Board of Directors shall ensure that a majority of its members are independent directors. This instruction, as well as those set forth in these *By-Laws* and in the *Regulations of the Board of Directors* regarding the composition of the committees of the Board of Directors, shall be mandatory for the Board of Directors, which must follow them in the exercise of its powers to propose appointments and re-elections of directors to the shareholders at a General Shareholders' Meeting and to make interim appointments of directors to cover vacancies and in appointing members of the committees of the Board of Directors, and merely constitute guidance for the shareholders.
- 4. A rationale for the status of each director shall be given by the Board of Directors to the shareholders at the General Shareholders' Meeting at which the appointment thereof must be made or ratified or the re-election thereof approved, and shall be maintained or, if applicable, modified in the *Annual Corporate Governance Report*, after a report from the Appointments and Remuneration Committee.

Article 35. Meetings of the Board of Directors

- 1. The Board of Directors shall meet with the frequency that the chairman of the Board of Directors deems appropriate, and at least the number of times and in the cases provided for by law and the *Regulations of the Board of Directors*. Meetings shall take place at the Company's registered office or at the place, in Spain or abroad, indicated in the call to meeting, which shall be made in accordance with the provisions of law and the Corporate Governance System.
- 2. Without prejudice to the foregoing, the Board of Directors shall be deemed to have validly met without the need for a call to meeting if all of the directors are present in person or by proxy and unanimously agree to hold the meeting and to the items of the agenda to be dealt with thereat.

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

- 1. The establishment of a quorum within the Board of Directors and the adoption of resolutions thereby shall require the attendance at the meeting, in person or by proxy, of a majority of the directors.
- 2. All of the directors may cast their vote and give their proxy in favour of another director, provided, however, that non-executive directors may only do so in favour of another non-executive director. The proxy granted shall be a special proxy for the Board meeting in question and may be communicated by any means allowing for the receipt thereof.
- 3. The chairman of the Board of Directors, as the person responsible for the efficient operation thereof, shall stimulate the debate and active participation of the directors during its meetings, safeguarding their freedom to make decisions and express their opinion.
- 4. Unless higher majorities are provided for by law or the Corporate Governance System, resolutions shall be adopted by absolute majority of votes cast in person or by proxy at the meeting. In the event of a tie, the chairman of the Board of Directors shall have the tie-breaking vote.
- 5. The chairman of the Board of Directors may invite to meetings all those persons who might contribute to improving the information provided to the directors.

Chapter III. Committees and Positions within the Board of Directors

Article 37. Committees of the Board of Directors

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

Article 38. Executive Committee

- 1. If created, the Executive Committee shall have all the powers inherent to the Board of Directors, except for those powers that may not be delegated pursuant to law or the Corporate Governance System.
- 2. The Executive Committee shall be composed of the number of directors decided by the Board of Directors upon a proposal of the Appointments and Remuneration Committee, with a minimum of four and a maximum of eight.
- 3. The appointment of the members of the Executive Committee and the delegation of powers thereto shall be carried out by the Board of Directors with the favourable vote of at least two-thirds of the members thereof. The renewal thereof shall be carried out at the time and in the form and numbers decided by the Board of Directors with such majority.

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4. The chairman of the Board of Directors and the chief executive officers shall in all cases form part of the Executive Committee.
5. The meetings of the Executive Committee shall be chaired by the chairman of the Board of Directors, and in the absence thereof, by one of the vice-chairs who are members of the Executive Committee, and if none, by the director member of the Executive Committee having the longest length of service in office, and if equal lengths of service, by the oldest. The secretary of the Board of Directors or, in the absence thereof, any of the deputy secretaries or, in the absence of all of them, the director that the Executive Committee appoints from among its members in attendance, shall serve as secretary.
6. Resolutions of the Executive Committee shall be adopted by an absolute majority of votes cast in person or by proxy. In the event of a tie, the chair of the Executive Committee shall have the tie-breaking vote.

Article 39. Audit and Risk Supervision Committee

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

Article 40. Appointments and Remuneration Committee

1. The Board of Directors shall create a permanent Appointments and Remuneration Committee (or two separate committees, an Appointments Committee and a Remuneration Committee, in which case reference in these *By-Laws* to the Appointments and Remuneration Committee shall be deemed made to the corresponding committee), which shall be an internal informational and consultative body without executive duties, with information, advisory, and proposal-making powers within its scope of action.
2. The Appointments and Remuneration Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments and Remuneration Committee, from among the non-executive directors, and the majority thereof must be classified as independent.
3. The Board of Directors shall appoint a chair of the Appointments and Remuneration Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director.
4. The Appointments and Remuneration Committee shall have the powers set forth in the *Regulations of the Board of Directors* and in its own regulations and in any event those established by law as well as the power to report on related-party transactions.

Article 41. Corporate Social Responsibility Committee

1. If created, the Corporate Social Responsibility Committee shall be deemed an internal informational and consultative body without executive duties, with information, advisory, and proposal-making powers within its scope of action.
2. The Corporate Social Responsibility Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments and Remuneration Committee, from among the non-executive directors, and the majority thereof must be classified as independent.
3. The Board of Directors shall appoint a chair of the Corporate Social Responsibility Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director.
4. The Corporate Social Responsibility Committee shall have the powers set forth in the *Regulations of the Board of Directors* and in its own regulations.

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

1. The Board of Directors, following a report from the Appointments and Remuneration Committee, shall appoint a chairman from among its members. The Board of Directors may also appoint one or more honorary chairs of the Company.
2. The chairman of the Board of Directors shall have the status of president of the Company and of chair of all of the corporate decision-making bodies of which the chairman is a member, which he shall permanently represent with the broadest powers, having a duty to carry out the resolutions thereof and being authorised in urgent cases to adopt such measures as the chairman deems advisable in furtherance of the corporate interest.
3. The chairman of the Board of Directors undertakes the senior management and representation of the Company, as well as leadership of the Board of Directors.

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4. The chairman of the Board of Directors exercises the powers conferred upon him by law and the Corporate Governance System, and particularly the following:
 - a) To call and preside over meetings of the Board of Directors and the Executive Committee, setting the agenda for the meetings and directing the discussion and debate.
 - b) To chair the General Shareholders' Meeting and exercise thereat the duties attributed thereto by the Corporate Governance System.
 - c) To bring to the Board of Directors those proposals that the chairman deems appropriate for the efficient running of the Company, particularly those corresponding to the operation of the Board of Directors itself and other governance decision-making bodies, as well as to propose the persons, if any, who will hold office as vice-chair, chief executive officer, secretary and deputy secretary of the Board of Directors and the committees thereof, without prejudice to the reporting powers belonging to the Appointments and Remuneration Committee.
 - d) To ensure, with the collaboration of the secretary, that the directors receive in advance information sufficient to deliberate on the items on the agenda.
 - e) To stimulate the debate and active participation of the directors during meetings, safeguarding their freedom to take positions.
5. The Board of Directors, upon a proposal of its chairman and after a report from the Appointments and Remuneration Committee, may elect from among its members one or more vice-chairs who shall temporarily replace the chairman of the Board of Directors in the event of vacancy, absence, illness, or incapacity. The same procedure shall be followed to decide the removal of a vice-chair.
6. If there is more than one vice-chair of the Board of Directors, the one that is expressly appointed by the Board of Directors for such purpose shall replace the chairman of the Board of Directors; in default of the foregoing, the vice-chair having the longest length of service in office; in case of equal lengths of service, the oldest. If a vice-chair has not been appointed, the chairman shall be replaced by the director with the longest length of service in office, and in case of equal lengths, the oldest.
7. The vice-chair or the director, if any, that must replace the chairman under the provisions of the preceding section shall lead the process of electing a new chairman in the event of removal, notice of resignation, disability, or death in accordance with the succession plan approved by the Board of Directors.

Article 43. Chief Executive Officer

1. The Board of Directors, upon a proposal of the chairman thereof, after a report from the Appointments and Remuneration Committee and with the favourable vote of at least two-thirds of the directors, may appoint one or more chief executive officers (*consejeros delegados*) with the powers it deems appropriate and which may be delegated pursuant to law and the Corporate Governance System.
2. In the event of vacancy, absence, illness, or incapacity of all of the chief executive officers, the duties entrusted thereto shall be temporarily assumed by the chairman of the Board of Directors or, in the absence thereof, by the vice-chair or director designated in accordance with the provisions of section 6 of the preceding article, who shall call a meeting of the Board of Directors to deliberate and decide upon the appointment, if appropriate, of one or more new chief executive officers.

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

1. The Board of Directors, upon a proposal of the chairman thereof and after a report from the Appointments and Remuneration Committee, shall appoint a secretary, who need not be a director, and, if appropriate, one or more deputy secretaries, who also need not be directors, and who shall replace the secretary in the event of vacancy, absence, illness, or incapacity. The same procedure shall be followed to decide the removal of the secretary and, if applicable, each deputy secretary.
2. If there is more than one deputy secretary, the secretary of the Board of Directors shall be replaced by the corresponding one among them in accordance with the order established at the time of their appointment. In the absence of a secretary and deputy secretaries, the director that the Board of Directors itself appoints from among the attendees at the meeting in question shall serve as such.
3. The secretary of the Board of Directors shall perform the duties assigned thereto by law and the Corporate Governance System.
4. The secretary of the Board of Directors or, if applicable, the deputy secretary or one of the deputy secretaries if several, may also hold the position of general secretary if so decided by the Board of Directors, with the duties assigned thereto by the Corporate Governance System.

Article 45. Checks and Balances System: the Coordinating Director

1. The Corporate Governance System shall provide the measures necessary to ensure that neither the chairman of the Board of Directors, nor the Executive Committee, nor the chief executive officers have a decision-making power that is not subject to appropriate checks and balances.
2. The Board of Directors shall adopt the measures necessary to ensure that both the chairman of the Board of Directors and the Executive Committee and the chief executive officers are under its effective supervision.
3. The appointment of an executive director as chairman of the Board of Directors shall require the favourable vote of at least two-thirds of the directors.
4. If the chairman of the Board of Directors has the status of executive director, the Board of Directors, upon a proposal of the Appointments and Remuneration Committee and with the abstention of the executive directors, must necessarily appoint from among the independent directors a coordinating director (*consejero coordinador*), who shall be especially empowered, when the coordinating director deems it appropriate, to:

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- a) Ask the chairman of the Board of Directors to call a meeting thereof and to participate with the chairman in the planning of the annual schedule of meetings.
 - b) Participate in the preparation of the agenda for each meeting of the Board of Directors and request the inclusion of matters on the agenda for meetings of the Board of Directors that have already been called.
 - c) Coordinate, meet with, and reflect the concerns of the non-executive directors.
 - d) Direct the periodic evaluation of the chairman of the Board of Directors and lead any process for the succession thereof.
5. The coordinating director may also maintain contacts with shareholders when so decided by the Board of Directors.

Chapter IV. Rules Applicable to Directors

Article 46. General Duties of Directors

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

Article 47. Term of Office

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

Article 48. Director Remuneration

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

Article 49. Powers of Information and Inspection

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

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

Article 50. Removal of Voting Limitations

The prohibition on voting for shareholders affected by conflicts established in article 28 above and the limitation on the maximum number of votes that may be cast by a single shareholder contained in sections 2 to 3 of article 29 above shall be deprived of effect upon the occurrence of the following circumstances:

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

Article 51. Effectiveness of the Removal

1. The removal of the limitations mentioned in the preceding article shall be effective from the date of publication of the result of the settlement of the bid in the Listing Bulletin (*Boletín de Cotización*) of the Bilbao Stock Exchange.
2. The directors of the Company shall have the power, as well as the duty, to take the actions necessary to formalise the by-law amendment referred to in section 1 above and to seek registration thereof with the Commercial Registry.

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

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

TITLE V. ANNUAL ACCOUNTS, DISSOLUTION, AND LIQUIDATION

Chapter I. Annual Accounts

Article 53. Financial Year and Preparation of Annual Accounts

1. The financial year shall commence on 1 January of each year and shall end on 31 December of each year.
2. Within the first three months of the year, the Board of Directors shall prepare the annual accounts, the management report, and the proposed allocation of profits or losses, and the consolidated annual accounts and management report for the previous financial year.

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

1. The annual accounts of the Company and the consolidated annual accounts shall be submitted to the shareholders for approval at the General Shareholders' Meeting.
2. The shareholders shall decide at the General Shareholders' Meeting upon the allocation of profits or losses for the financial year in accordance with the approved annual accounts.
3. If the shareholders resolve to distribute a dividend, they shall decide the time and form of payment thereof. The establishment of these standards and of any others that may be required or appropriate to carry out the resolution may be delegated to the Board of Directors.
4. The shareholders may resolve at the General Shareholders' Meeting that the dividend be paid totally or partially in kind, provided that the assets or securities to be distributed are homogeneous, they are admitted to trading on an official exchange at the time the resolution is made effective, or the Company duly guarantees the liquidity thereof within a maximum period of one year, and they are not distributed for a lesser value than the value set forth for them in the balance sheet of the Company. The same rule shall apply to a reduction in share capital due to a return of in-kind contributions.
5. The distribution of a dividend to shareholders shall be made in proportion to their paid-up share capital.

Chapter II. Dissolution and Liquidation of the Company

Article 55. Grounds for Dissolution

The Company shall be dissolved upon the occurrence of any of the events established by law.

Article 56. Liquidation of the Company

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

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