

## Glossary for Shareholders and Investors

### A B C D E F G I L M N O P Q R S T U V W

#### A

- **Action Protocol for the Management of News and Rumors:** Protocol that establishes the rules and guidelines for the monitoring, management, analysis and control of information, whether news or rumors, disseminated regarding the Company, any of the companies belonging to its Group or regarding affected securities without the prior publication of the respective notice of significant event, as well as of the performance on the market of the listing prices and traded volumes of affected securities, all in order to protect the interests of shareholders and investors and to prevent and avoid any situation of market abuse.
- **Activities Report of the Audit and Risk Supervision Committee:** Report containing a description of the tasks performed each year by this Committee in its various areas of activity.
- **Admission to trading:** Process whereby a company's shares are listed on one or more stock exchanges in order for purchase and sale transactions to be carried out on organized markets that are subject to government regulation and supervised by the CNMV, thus ensuring the highest levels of liquidity and transparency as well as better shareholder protection. The shares of Iberdrola, S.A. are admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.
- **Agenda:** Matters included in the call to meeting or in any supplement thereto for discussion and approval, if appropriate, at the General Shareholders' Meeting.
- **Announcement of the call to meeting:** Notice to the shareholders of the holding of the General Shareholders' Meeting, which must be published in the Official Bulletin of the Commercial Registry and on the corporate website duly in advance, with all such information as is required by law, and which must in any event set forth the place, date and time of the meeting and all the matters to be dealt with. See "[Official Bulletin of the Commercial Registry](#)".
- **Annual Corporate Governance Report:** Report that must mandatorily be prepared pursuant to the Securities Market Law, the purpose of which is to explain the ownership and management structure, the operation of the corporate decision-making bodies, related-party transactions, the risk control system and the degree to which the recommendations of the Unified Good Governance Code are followed by Iberdrola, S.A.
- **Annual Financial Report:** Report containing the individual annual financial statements and management reports of Iberdrola, S.A. and those consolidated with its subsidiaries, together with the respective auditor's reports and the Directors' statements of responsibility.
- **Annual Financial Statements:** Accounting documents submitted on an annual basis. The *Annual Financial Statements* are prepared by the Board of Directors of Iberdrola, S.A., must be clearly presented with reference to the fiscal year covered thereby, and are submitted for approval of the shareholders of Iberdrola, S.A. at the Ordinary General Shareholders' Meeting. See "[Auditor's Report](#)".
- **Annual Report on Compliance with the Code for the Separation of Activities:** Report that must mandatorily be prepared pursuant to the Electricity Industry Law and the Hydrocarbon Industry Law, which sets forth the measures adopted for compliance with the *Code for the Separation of Activities of the Companies of the Iberdrola Group Carrying Out Regulated Activities in Spain*.
- **Annual reports:** Reports approved on an annual basis by the appropriate decision-making bodies of Iberdrola, S.A.



- **Appointment and re-election of directors:** Directors shall be appointed and re-elected by the shareholders at the General Shareholders' Meeting. The proposals for appointment and re-election of directors must be preceded by: (a) the corresponding proposal of the Nominating and Compensation Committee in the case of independent directors; or (b) a report of the Nominating and Compensation Committee in the case of the other directors. The Nominating and Compensation Committee must assess the candidates' respectability, capability, expertise, competence, experience, qualifications, educational background, availability and commitment to their duties.
- **Approval of annual financial statements:** Resolution adopted by the shareholders at the General Shareholders' Meeting in order to review the corporate management, approve the financial statements, if appropriate, and decide on the allocation of the profits or losses from the prior fiscal year. See "[Annual Financial Statements](#)".
- **Attendance, proxy-granting and distance voting card:** Document with which shareholders may access the General Shareholders' Meeting and exercise the rights to proxy representation and distance voting. See "[Right to attend](#)".
- **Audit and Risk Supervision Committee:** Internal informational and consultative body created by the Board of Directors, without executive powers, with information, advisory and proposal-making powers within its scope of action in connection with the internal control and risk management systems, the internal audit area and the audit of financial statements, and the process of preparation of economic and financial information. This committee, which has been operating as a voluntarily-created body since October 1998, has been mandatory for listed companies since the entry into force of Financial System Reform Measures Law 44/2002, of November 22.
- **Auditor:** Independent entity that verifies that the annual financial statements of Iberdrola, S.A. and those of its consolidated group, as well as the interim financial statements, if any, have been prepared in compliance with the requirements established by generally accepted accounting principles and standards under applicable regulations.
- **Auditor Hiring Policy of Iberdrola, S.A.:** Set of rules establishing the principles that are to govern the hiring, appointment and re-election of the auditor of Iberdrola, S.A. and its relationship with the Company.
- **Auditor's Report:** Mandatory report setting forth the opinion of an independent auditor regarding the content of the annual financial statements and of the management report. See "Auditor".
- **Authorized capital:** Value of the share capital that the Board of Directors may increase with the prior authorization of the shareholders at the General Shareholders' Meeting.

## B

- **Balance Sheet:** Summary of the Company's equity accounts.
- **Bare owner:** Person who has shareholder status in the event of beneficial ownership (usufructo) of shares of Iberdrola, S.A. and who is vested with all rights inherent to the shares, except for financial rights, which are vested in the beneficial owner.
- **Beneficial ownership (usufructo):** Right whereby the holder thereof is entitled to the dividends that the Company approves for distribution, without prejudice to the bare owner retaining shareholder status. See "[Bare owner](#)".
- **Board of Directors:** Collective corporate decision-making body, made up of the directors appointed by the shareholders at the General Shareholders' Meeting, vested with the widest powers and authority to manage and represent the Company and which focuses its activity on establishing the general management policies, strategies and guidelines for the Group, supervising the development of such strategies and guidelines and deciding matters of strategic significance at the Group level.
- **Bond:** Fixed-income negotiable security, similar to debentures but with shorter periods to maturity (in general, from 3 to 5 years). See "[Debenture](#)".
- **By-Laws:** Set of internal rules governing the operation of the Company pursuant to the law and to good governance recommendations generally recognized in international markets, as well as the relationships between the entity and the shareholders, the relationships among shareholders and the manner in which Iberdrola, S.A. must act with respect to third parties. See "[Corporate Governance System](#)".

## C

- **Call to the General Shareholders' Meeting:** See "[Announcement of the Call to Meeting](#)".
- **Chairman of the Board of Directors:** The Chairman of the Board of Directors is in charge of the senior management and representation of the Company and leads the Board of Directors. He must be appointed from among the directors after a report of the Nominating and Compensation Committee and has the status of Chairman of the Company and of all of the decision-making bodies of which he is a member, which he shall permanently represent with the broadest powers.
- **Chairman of the General Shareholders' Meeting:** The Chairman of the Board of Directors or, in the absence thereof, the Vice-Chairman of the Board of Directors, shall act as Chairman of the General Shareholders' Meeting; if there are several Vice-Chairmen of the Board of Directors, they shall act in the order set forth in the *By-Laws*, and in the absence of the foregoing, the person designated by the Presiding Committee shall serve as Chairman.
- **Chief Executive Officer (*Consejero Delegado*):** Member of the Board of Directors to whom the powers of the collective body are individually delegated and who has the power to represent Iberdrola, S.A.
- **Code for the Separation of Activities of the Companies of the Iberdrola Group Carrying Out Regulated Activities in Spain:** Code of conduct containing measures aimed at ensuring compliance with the independence standards and the specific obligations of the employees of companies carrying out activities deemed to be regulated activities.
- **Code of Ethics:** Code that sets forth the Company's commitment to the principles governing corporate ethics and to transparency in all areas of activity, establishing a series of guidelines and standards for conduct aimed at ensuring the ethical and responsible behavior of all of the Group's professionals in the performance of their activities.
- **Companies Law (*Ley de Sociedades de Capital*):** Restatement in a single text of the laws governing partnerships limited by shares (*sociedades comanditarias por acciones*), corporations (*sociedades anónimas*) and limited liability companies (*sociedades de responsabilidad limitada*). See "[Corporation](#)".
- **Company's own stock or treasury stock:** Shares of Iberdrola, S.A. that have been acquired derivatively by the Company itself or through companies belonging to the Group, which are recorded in the balance sheet of Iberdrola, S.A. as treasury stock.
- **Conflict of interest:** Situation in which the interests of an individual or legal entity directly or indirectly collide with the interest of the Company or of the companies belonging to the Group.
- **Convertible debenture:** Fixed-income negotiable security representing a debt for the issuer thereof, which bears interest in favor of the investor and entitles the holder to exchange it for newly-issued shares at the price specified in the terms of the issuance.
- **Co-ownership of rights in shares:** See "[Co-ownership of shares](#)".
- **Co-ownership of shares:** A situation in which one or more shares of Iberdrola, S.A. are held by several owners. The co-owners of one or more shares of Iberdrola, S.A. must designate a single person for the exercise of shareholder rights, and shall be jointly and severally liable to the Company for all obligations arising from such shareholder status. The same rule applies to other instances of co-ownership of rights in equity interests or shares.
- **Corporate books:** Books legalized at the Commercial Registry in which the minutes of the meetings held and the decisions and resolutions adopted by the corporate decision-making bodies are recorded.
- **Corporate decision-making bodies:** The shareholders acting at a General Shareholders' Meeting, the Board of Directors, the Executive Committee and the Chairman & Chief Executive Officer of Iberdrola, S.A.
- **Corporate governance:** Set of principles and rules governing the design, composition and operation of the corporate decision-making bodies of a company. See "[Corporate Governance System](#)".
- **Corporate Governance and Regulatory Compliance Policies:** Set of rules that must be mandatorily complied with by Iberdrola, S.A., setting forth its principles and values in the area of corporate governance.
- **Corporate Governance System:** Set of corporate rules and regulations of Iberdrola, S.A., consisting of the *By-Laws*, the *Corporate Policies*, the Internal corporate governance regulations and the other internal codes and procedures approved by the appropriate bodies of the Company.
- **Corporate interest:** The common interest of all the shareholders of an independent corporation, oriented towards the exploitation of its corporate purpose, in accordance with the provisions of, applicable legislation and of the Company's Corporate Governance System.



- **Corporate name:** Name used to identify a company as a holder of rights and obligations in all legal relationships in which it engages.
- **Corporate Policies:** Set of rules further developing the principles established in the Company's Corporate Governance System and containing the guidelines governing the activities of the Company and of the companies belonging to its Group, as well as those carried out by its directors, managers and employees, within the framework of the strategic plan and the vision statement and values of the Company. They consist of the following policies: *Corporate Governance and Regulatory Compliance Policies*, *Risk Policies* and *Social Responsibility Policies*.
- **Corporate purpose:** The activities contemplated in Article 2 of the *By-Laws* of Iberdrola, S.A., which are carried out by the Company pursuant to the provisions of law and the Corporate Governance System.
- **Corporate resolution:** Decision validly adopted by any of the corporate decision-making bodies that binds the Company *vis-à-vis* third parties.
- **Corporate social responsibility:** Set of activities aimed at contributing to sustainable development through the adoption of principles and practices calculated to maintain a responsible corporate ethics that addresses the needs and expectations of the stakeholders of Iberdrola, S.A.
- **Corporate Social Responsibility Committee:** Internal informational and consultative body created by the Board of Directors, without executive powers, with information, advisory and proposal-making powers in the area of corporate social responsibility and sustainability, corporate reputation, corporate governance and regulatory compliance.
- **Corporate transformation:** Resolution adopted by the shareholders at the General Shareholders' Meeting in order to change the original form of corporate organization to another among those allowed by law.
- **Corporate website:** [www.iberdrola.com](http://www.iberdrola.com).
- **Corporation (Sociedad Anónima):** A company in which capital is divided into shares of stock and made up of the contributions of all the shareholders, who are not personally liable for the corporate debts.
- **Counsel to the Board of Directors:** Counsel appointed by the Board of Directors, who has the duty to give advice on the legality of the resolutions adopted by the Board of Directors and, if applicable, of the deliberations at which he is present; evidence of all action taken by him in his professional capacity must be recorded in the corporate documents.
- **Crime Prevention and Anti-Fraud Policy:** Set of rules embodying the crime prevention program (as a set of measures designed to prevent, detect and react to possible crimes), which also covers the prevention and control of fraud, administrative violations and serious irregularities, all within the framework of the process of review and adjustment to the new duties imposed by the Spanish Penal Code after the amendment thereof by Organic Law 5/2010, of June 22, without prejudice to the laws and regulations applicable in any other jurisdiction in which Iberdrola, S.A. or the companies belonging to its Group carry out their activities.

## D

- **Daily market close:** Time at which trading officially ends on the Automated Quotation System (Electronic Market), namely, at 5:35 and 30 seconds p.m. on a trading day, and which determines the closing price of a share on that trading day.
- **Debenture:** Fixed-income negotiable security representing a pro rata share of a loan raised by the issuer and entitling the holder thereof to collect interest at a fixed or variable rate and to the return of the capital provided on the date of maturity of the issue.
- **Debenture-holder:** Holder of or subscriber for debentures.
- **Debenture-holders' syndicate:** Association for the defense of the subscribers of debentures belonging to a particular issuance. The creation thereof is required whenever debentures are issued, and its members meet at the general meeting of debenture-holders, with the power to adopt such resolutions as are required to further the interests of the debenture-holders.
- **Deregulated activities:** Activities carried out by energy and gas companies that are not subject to regulation, such as the production and sale of gas and electricity in Spain. See "[Code for the Separation of Activities of the Companies of the Iberdrola Group Carrying Out Regulated Activities in Spain](#)".
- **Deregulated company:** A company carrying out deregulated activities. See "[Deregulated activities](#)".
- **Director:** Member of the Board of Directors.



- **Director Compensation Policy:** Set of rules laying down the basic principles that govern the compensation of the members of the Board of Directors.
- **Dividend:** Portion of the corporate profits used to compensate the shareholders.
- **Dividend Policy:** Set of rules containing the principles underpinning the allocation of profits/losses and other forms of shareholder compensation.

## E

- **Electronic shareholders' forum:** Electronic tool provided in order to facilitate communication among the shareholders of the Company through its website [www.iberdrola.com](http://www.iberdrola.com) on occasion of the call to and until the holding of each General Shareholders' Meeting.
- **Exchangeable debenture:** Fixed-income negotiable security representing a debt for the issuer thereof, which bears interest in favor of the investor and entitles the holder to exchange it for existing shares at the price specified in the terms of the issuance.
- **Executive Committee:** Permanent representative decision-making body of the Board of Directors, vested with all the powers of the Board of Directors except for those that may not be delegated pursuant to law or the *By-Laws*.
- **Executive director:** Director who performs senior management duties and who may or may not be an employee of the Company or its Group.
- **External independent director:** Director who, having been appointed because of his personal and professional qualities, may carry out his duties without being dependent upon relationships with the Company or the significant shareholders or managers thereof.
- **External proprietary director:** Director who owns a shareholding interest that is equal to or greater than that legally regarded as significant at any time; or who has been appointed owing to his status as shareholder, although his shareholding interest does not reach such amount; or whose appointment has been proposed to the Company by any of the aforementioned shareholders.
- **Extraordinary General Shareholders' Meeting:** Meeting of the shareholders of the Company that is not considered to be an ordinary General Shareholders' Meeting. An extraordinary General Meeting may be held at any time, when circumstances so advise and once it has been called as provided in the regulations.

## F

- **Fiscal year:** Twelve-month period during which the budgets of income and expenditure of Iberdrola, S.A. remain effective and at the end of which a general balance sheet must be prepared as specified or provided in the *By-Laws*.
- **Flexible dividend:** Compensation system whereby the shareholders of Iberdrola, S.A. may receive bonus shares of the Company with favorable tax treatment, without limiting their ability to receive an amount in cash equal to the dividend payment.
- **Free float:** Portion of the share capital that is in the hands of small investors and is therefore freely traded on the Stock Exchange.

## G

- **General Corporate Governance Policy:** Compilation of the main corporate governance rules of Iberdrola, S.A. and of the companies making up its Group. See "[Corporate governance](#)".
- **General Secretary:** Person appointed by the Board of Directors who has the duty to contribute to integration and coordination between the Company and the companies forming part of the Group, as well as to chair the Regulatory Compliance Unit, without prejudice to other duties for which he may

be responsible in accordance with the Corporate Governance System or that may be assigned thereto by the Board of Directors. He is supported by the Office of the General Secretary.

- **General Shareholders' Meeting:** The highest governance decision-making body of Iberdrola, S.A., at which the shareholders come together and adopt the main corporate and by-law decisions by majority vote.
- **Global Reporting Initiative's G3 Standard:** The Global Reporting Initiative (GRI) is the main international standard for preparation of Corporate Social Responsibility Reports. See "[Sustainability Report](#)".
- **Good Tax Practices Policy of Iberdrola, S.A.:** Set of rules bringing into the Corporate Governance System of Iberdrola, S.A. the general commitment to observe, engage in and implement good tax practices in Spain and in other countries in which the companies belonging to the Group do business.
- **Governance model of the Group:** Management system that reflects a division into two areas of decisionmaking and responsibility at the Group level. On the one hand, the Board of Directors, the Chairman & Chief Executive Officer and the management team, with such duties as they are called upon to perform pursuant to the Corporate Governance System, and on the other hand, the subholding companies, which are organized based on their own boards of directors and in which decision-making revolves around the day-to-day effective management of each business subgroup.
- **Group:** Group of companies of which Iberdrola, S.A. is the controlling company within the meaning established by law.



- **Increase in share capital:** Resolution adopted by the shareholders at the General Shareholders' Meeting or, if applicable, by the management decision-making body in exercise of powers granted or delegated thereto by the shareholders, in order to increase capital through the conversion of reserves into capital or the provision of fresh funds. See "[Share capital](#)".
- **Interim appointment:** If vacancies occur on the Board of Directors and there are no alternates, the Board of Directors may designate from among the shareholders the person who is to fill any such vacancy. The appointment must be ratified by the shareholders at the General Shareholders' Meeting.
- **Interim dividends:** Amounts distributed to the shareholders as an advance payment of the expected final profit.
- **Internal corporate governance regulations:** Documents embodying the guidelines for action applicable to the main corporate governance bodies of Iberdrola, S.A.
- **Internal Regulations for Conduct in the Securities Markets:** Set of rules established in order to govern the management and control of non-public information, the transparent disclosure of significant information, the performance and communication, by affected persons of transactions in securities of the Company and its Group, the conduct of treasury stock transactions, and the detection and treatment of conflicts of interest, in order to protect the interests of the investors in securities of the Company and its Group and to prevent and avoid any situation of wrongdoing, yet encouraging and facilitating the participation of its directors and employees in the capital of the Company in strict compliance with applicable law.
- **Internal Rules for the Processing of Non-Public Information:** Set of rules governing the management, control and internal and external transmission of non-public information, regardless of its location, format or means of transmission, in order to protect the interests of shareholders and investors and to prevent and avoid any instance of misuse.
- **Internal Rules on Composition and Duties of the Operating Committee:** See "[Operating Committee](#)".
- **Investor Relations Office:** Department charged with the task of dealing on a regular and individual basis with the questions of analysts and institutional and qualified investors in equities, fixed-income securities and socially responsible investments.
- **Investor's agenda:** Calendar setting forth the dates for presentation of results and the main events at Iberdrola, S.A., allowing access to both the direct and recorded broadcast thereof and other information of interest to shareholders and investors.
- **Investors' Quarterly Report:** Operational and financial information that Iberdrola, S.A. provides to analysts and investors.



- **Issuance of securities:** Resolution adopted by the shareholders at the General Shareholders' Meeting of Iberdrola, S.A. or, as the case may be, by the Board of Directors upon a prior delegation of powers by the shareholders, in order to place into circulation and make available to the public homogeneous negotiable securities for subscription. See "[Negotiable securities](#)".

## L

- **Lead independent director:** Independent director authorized to do the following in the event that the Chairman of the Board of Directors performs executive duties: a) request the Chairman of the Board of Directors to call a meeting of the Board when he deems it appropriate; b) request the inclusion of matters on the agenda for the meetings of the Board of Directors as provided by Article 28 of the Regulations of the Board of Directors; c) coordinate and express the opinions of the external directors, and d) lead the evaluation of the Chairman of the Board of Directors.
- **Legitimate holder of the shares:** Person in whose name ownership of the shares of Iberdrola, S.A. is recorded and is therefore granted shareholder status as well as vested with the rights and subject to the duties established by law and in the Corporate Governance System.
- **Listed corporation:** A corporation whose shares are admitted to trading on an official secondary market. Iberdrola, S.A. is a listed corporation.
- **Loan:** Transaction in the shares of Iberdrola, S.A. whereby the holder becomes the lender and makes a temporary transfer of the securities thereof to the borrower, who must return them to the lender at the agreed time. The transfer of the shares entails the transfer of all rights and obligations inherent thereto.

## M

- **Management:** Body charged with the duties of direction and management, as well as the duties of supervision and control.
- **Merger:** Corporate combination carried out through the dissolution of one or more companies and the contribution of the assets of the dissolved entities to another company, with the shareholders of the predecessor companies becoming shareholders of the new one.
- **Minutes:** Document containing a written record of the proceedings at meetings of the corporate decision-making bodies and of the resolutions or decisions adopted thereby.

## N

- **National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (CNMV):** Government agency created in 1988 within the Ministry of Economy, charged with supervising and inspecting securities markets and the activities of the individuals and legal entities that come into contact with each other while dealing on such markets. The law assigns to the CNMV the duty of ensuring transparency on the markets, the proper formation of prices and the protection of investors.
- **Negotiable securities:** Financial instruments vesting the holder thereof with certain rights and a typical feature of which is that they can be transferred on the market. They are generally grouped into issues. Equities or variable-income negotiable securities are shares of stock, while fixed-income negotiable securities include debentures, bonds and notes, among others. See "[Bond](#)", "[Debenture](#)", "[Note](#)", and "[Share](#)".
- **Nominal value of a share:** Result of dividing the share capital of Iberdrola, S.A. by the number of shares.
- **Nominating and Compensation Committee:** Internal informational and consultative body created by the Board of Directors, without executive powers, with information, advisory and proposal-making

powers within its scope of action in connection with the selection, evaluation, re-election, removal and withdrawal of directors and compensation matters.

- **Non-public information:** All information of a specific nature that directly or indirectly refers to the Company, to any of the companies making up the Group or to their respective negotiable securities, which has not been made public and which, if it is or has been made public, might appreciably influence or have influenced the listing price of such securities on a market or organized trading system.
- **Note:** Fixed-income security issued at a discount for a time period that is normally less than 760 days.
- **Notes to the financial statements:** Section of the annual financial statements in which the information contained in the balance sheet and in the profit and loss statement is discussed and further developed. Among other matters, information is provided regarding distribution of profits, rules for the appraisal of assets, economic and financial activities and objectives pursued by the Company, plans to be developed and accounting standards followed for presenting the other accounting documents.

## O

- **Office of the Shareholder:** Office available to the shareholders in order to provide them with any appropriate information they may request and, in any event, to facilitate the formal exercise of the rights to receive information, to proxy representation and to vote from a distance by electronic or data transmission means.
- **Official Bulletin of the Commercial Registry:** Official journal in which all events, announcements and legal notices of commercial companies are published as required by law. The electronic issue of the *Official Bulletin of the Commercial Registry* is published on the website [www.boe.es/diario\\_borme](http://www.boe.es/diario_borme) with the same effects that are legally attributed to the printed edition thereof.
- **Operating Committee:** Internal committee of Iberdrola, S.A., which performs support and advisory duties under the immediate control of and as directed by the Chairman & Chief Executive Officer of the Company. The duties, composition and operation of this committee are set forth in the *Internal Rules on Composition and Duties of the Operating Committee*.
- **Ordinary General Shareholders' Meeting:** Meeting of the shareholders of the Company that must be held within the first six months of each fiscal year, the main purpose of which is the approval of the annual financial statements and the allocation of profits or losses from the last fiscal year.
- **Ordinary share:** Security granting the same rights to all holders thereof, as is the case with the shares issued by Iberdrola, S.A. Ordinary shares carry no preferential rights, as opposed to preferred shares.
- **Other external directors:** Directors who are not executive directors and also do not fit the description of a proprietary or independent director.
- **Other internal codes and procedures:** Documents that, together with the *By-Laws*, the *Corporate Policies* and the internal corporate governance regulations, make up the Corporate Governance System and contribute to the continuous improvement of the corporate governance rules and regulations of Iberdrola, S.A.
- **Ownership of shares:** Title whereby the holder of shares of Iberdrola, S.A. acquires the rights and becomes subject to the obligations inherent to such shares.

## P

- **Periodic financial information:** Financial documents prepared by Iberdrola, S.A. on a quarterly, semiannual and annual basis pursuant to the provisions of Royal Decree 1362/2007, which are publicized through the sending thereof to the CNMV and are therefore available to shareholders and investors. See "[Annual Financial Statements](#)".
- **Pledge:** Delivery of shares as security for a loan, a credit facility, or for compliance with a principal obligation generally.

- **Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organization:** Set of rules whereby the structure of the Group is established and its general management strategies and guidelines are defined and coordinated within legal limits, acting in the interest of each and every company belonging to the Group and also setting the foundations of corporate organization.
- **Policy regarding the Provision of Information to and Relations with Shareholders and the Markets:** Set of rules containing the principles and guidelines for action by the Company in connection with the provision of information to the shareholders and to the markets in general, as well as governing the relationships with the shareholders. See "[Shareholders](#)" and "[General Shareholders' Meeting](#)".
- **Pre-emptive right(s):** Preferential right, granted to the shareholders by law and under the *By-Laws*, to acquire newly-issued shares in the event of a capital increase or the conversion into shares of an issue of convertible debentures.
- **Preferred share:** Share carrying some financial privilege in addition to that carried by ordinary shares (normally, a greater dividend through the granting of a special interest in profits). They are rare in the Spanish market, and Iberdrola, S.A. currently has no shares of this type.
- **Principle of equal treatment of shareholders:** The *Policy regarding the Provision of Information to and Relations with Shareholders and the Markets* expressly adopts the principle of equal treatment in the acknowledgment and exercise of their rights by all shareholders who are in the same position and are not affected by any conflict of competition or interest.
- **Private (Paracorporate) Shareholder's Agreement:** Agreement executed by and among some or all of the shareholders or members of a commercial company in order to supplement, specify or modify their internal relationships and the legal and by-law relationships governing the company. They are legal devices protected under Article 1255 of the Civil Code, which embodies the principle of free will of the parties in contractual matters.
- **Procedure for Conflicts of Interest and Related-Party Transactions with Directors, Significant Shareholders and Senior Managers:** Procedure designed to describe the rules to be followed in those instances in which there is a conflict between the interest of the Company or that of any of the companies making up the Group and the direct or indirect personal interest of the directors or of the persons subject to conflict of interest rules, as well as in the event of any transfer of resources, services or obligations, regardless of whether or not there is consideration, carried out by the Group with the directors or with persons related thereto, with persons subject to conflict of interest rules or with significant shareholders.
- **Professional investor:** An investor possessing the experience and knowledge required for the investor's own investment decisions and assessment of the risks assumed. Professional investors include those entities that must be authorized or regulated in order to operate in financial markets, large companies that meet certain requirements as to equity and sales volume, governments and public agencies.
- **Profit and loss statement:** Accounting report providing a summary of all income and expenditure during a fiscal year.
- **Proxy advisor:** Entity that offers recommendations to institutional investors regarding the exercise of their voting rights at the listed companies in which they invest.
- **Proxy-voting:** Procedure whereby a shareholder who cannot personally attend a General Shareholders' Meeting appoints another person, whether or not a shareholder, to act as his representative, by granting a proxy by any of the means contemplated in the law and in the Corporate Governance System.
- **Public tender offer:** Financial transaction whereby an individual or legal entity makes a public offering to the shareholders of a listed company for acquisition of its shares in order for them to obtain a significant interest in capital or to increase their interest by a specified percentage. A public tender offer can always be made on a voluntary basis, but the regulations also establish those instances in which it is mandatory.

## Q

- **Qualified investor:** Entity or individual who invests large volumes of funds in securities markets, such that better trading conditions may be obtained. Regulations generally afford them lower levels of protection than to small investors because, due to their institutional or professional nature, they have sufficient knowledge and experience to assess the risks they assume and to make their own

investment decisions. Qualified investors include institutional investors (banks and savings associations, insurance companies, mutual fund managers, pension fund managers, mutual funds and investment companies, among others), small enterprises and individuals who request to be considered as qualified investors provided that they satisfy certain requirements.

- **Quorum to hold a valid General Shareholders' Meeting:** Percentage of share capital held by shareholders present in person and by proxy at the General Shareholders' Meeting.

## R

- **Rating agency:** Entity that issues reports and ratings regarding the ability of issuers to meet their financial obligations in the short and long term.
- **Reduction in share capital:** Resolution adopted by the shareholders at the General Shareholders' Meeting that entails a reduction in the nominal value of the shares, the redemption of shares or the formation of a pool in order to exchange them, and the purpose of which may be to return contributions, cancel capital calls, create or increase reserves, re-establish equilibrium between the capital and the assets of the Company diminished due to losses, or several of such purposes simultaneously.
- **Registered office:** Plaza Euskadi number 5, 48009 Bilbao (Biscay).
- **Regulated activities:** Activities carried out by energy and gas companies that are subject to regulation, such as the distribution and transmission of electricity, regasification, and the basic storage, transportation and distribution of natural gas in Spain. See "[Code for the Separation of Activities of the Companies of the Iberdrola Group Carrying Out Regulated Activities in Spain](#)".
- **Regulated company:** A company carrying out regulated activities. See "[Regulated activities](#)".
- **Regulations for the Electronic Shareholders' Forum:** Set of provisions governing how the Company enables and makes the forum available, and the guarantees, terms and conditions for access thereto and use thereof by the Company's shareholders and by any voluntary associations that may be formed pursuant to applicable law.
- **Regulations for the General Shareholders' Meeting:** Set of provisions designed to further develop, pursuant to the *By-Laws* and applicable regulations, the basic rules governing the call to, preparation and holding of the General Shareholders' Meeting and to facilitate the effective participation of the shareholders at the General Meeting, in order to contribute to a transparent and informed expression of the corporate will, with special focus on the exercise of the political rights to which the shareholders are entitled for such purpose. See "[General Shareholders' Meeting](#)".
- **Regulations of the Audit and Risk Supervision Committee:** Set of provisions designed to establish the guidelines for action and rules of internal operation of the Audit and Risk Supervision Committee, without prejudice to the powers and duties of the committees or equivalent bodies that may exist at companies, whether or not listed, belonging to the Group. See "[Audit and Risk Supervision Committee](#)".
- **Regulations of the Board of Directors:** Set of provisions establishing the guidelines that are to govern all action taken by the Board of Directors of the Company, the basic rules for the organization and operation thereof and the rules of conduct to be observed by its members, in order to achieve the greatest degree of transparency, effectiveness, dynamism, supervision and control in the performance of its management and supervision duties and representation of the corporate interest. See "[Board of Directors](#)".
- **Regulations of the Corporate Social Responsibility Committee:** Set of provisions designed to establish the guidelines for action and rules of internal operation of the Corporate Social Responsibility Committee, without prejudice to the powers and duties of the committees or equivalent bodies that may exist at companies, whether or not listed, belonging to the Group. See "[Corporate Social Responsibility Committee](#)".
- **Regulations of the Nominating and Compensation Committee:** Set of provisions designed to establish the guidelines for action and rules of internal operation of the Nominating and Compensation Committee, without prejudice to the powers and duties of the committees or equivalent bodies that may exist at companies, whether or not listed, belonging to the Group. See "[Nominating and Compensation Committee](#)".
- **Regulatory Compliance Unit:** Collective body created by the Board of Directors in order to ensure compliance with applicable regulations and with the Company's Corporate Governance System, without prejudice to other duties that it may be called upon to perform pursuant to the Corporate Governance System or that the Board of Directors may assign thereto. See "[General Secretary](#)".

- **Related-party transactions:** Any transfer of resources, services or obligations between the Company and the directors, significant shareholders, senior managers or their respective related parties, regardless of whether or not there is consideration. Companies with negotiable securities must quantify these transactions in the semi-annual public information they send to the CNMV. Listed companies must also include such information in their *Annual Corporate Governance Report*.
- **Repayment and redemption of debentures:** Recovery by the investor of the invested capital, whether due to maturity of the issue or to early repayment in accordance with the terms of the issuance.
- **Report on Director Compensation Policy:** Report on the compensation policy for the current fiscal year and the application of the compensation policy in force in the preceding fiscal year, which must be made available to the shareholders in such manner as the Board deems appropriate on occasion of the call to the ordinary General Shareholders' Meeting.
- **Representation by physical securities and by book entries:** Shares may be represented by physical securities (in registered or bearer form) or by book entries. The shares of listed companies like Iberdrola, S.A. must necessarily be represented in book-entry form.
- **Retail investor:** Small investor, defined by exclusion under European regulations as an investor that cannot be regarded as a professional investor, due to the smaller volume of funds invested or to lesser experience in and knowledge of the securities markets. Regulations thus afford higher levels of protection thereto than those contemplated for professional investors.
- **Right to attend:** All holders of voting shares may attend the General Shareholders' Meeting and take part in the deliberations thereof. In order to exercise this right, shareholders must cause the shares to be registered in their name in the corresponding book-entry registry at least 5 days prior to the day on which the General Shareholders' Meeting is to be held. This circumstance must be evidenced by means of the appropriate attendance card, proxy, validation certificate, or in any other manner permitted by applicable legislation.
- **Right to proxy representation:** All shareholders having the right to attend may be represented at the General Shareholders' Meeting by another person acting as proxy, even though such person is not a shareholder, by complying with the requirements and formalities established by the law and the Company's Corporate Governance System.
- **Right to receive information:** Shareholders may request in writing the information or clarifications that they deem are required or ask the written questions that they deem relevant regarding the matters included in the agenda. In addition, upon the same prior notice and in the same manner, the shareholders may request information or clarifications or ask written questions regarding information accessible to the public which has been provided by the Company to the National Securities Market Commission since the holding of the last General Shareholders' Meeting.
- **Right to vote:** Right to participate in the adoption of resolutions at the General Shareholders' Meeting. Each share gives the right to one vote. However, the limitations established in Articles 29 and 30 of the *By-Laws* and in the Company's Corporate Governance System for the protection of minority shareholders must be taken into account for purposes of the exercise of this right.
- **Risk Policies:** Sets of rules establishing the basic principles and general framework for the control and management of all kinds of risks facing Iberdrola, S.A. and its Group, which include the *General Risk Control and Management Policy*, the *Corporate Risk Policies* and the *Risk Policies for the Group Businesses*. See "[Risks](#)".
- **Risks:** Any threat that an event, act or omission may prevent the Group from achieving its objectives and successfully implementing its strategies.

## S

- **Secretary for the General Shareholders' Meeting:** The Secretary of the Board of Directors or, in the absence thereof, the Vice-Secretary of the Board of Directors, shall act as Secretary for the General Shareholders' Meeting; if there are several Vice-Secretaries, they shall act in the order established at the time of their appointment. In the absence of the foregoing, the person designated by the Presiding Committee shall serve as Secretary for the General Shareholders' Meeting.
- **Secretary of the Board of Directors:** Person appointed by the Board of Directors who has the duty to: keep custody of the corporate documents, record the proceedings of meetings in the minute books and certify the resolutions and decisions adopted by the management decision-making bodies; ensure the formal and substantive legality of all action taken by the collective management decision-making bodies; give advice to the Board of Directors on the assessment and continuous update of the Company's Corporate Governance System; act as a channel in relations between the Company

and the directors; verify that the information provided by the Company for the adoption of resolutions by the Board of Directors is previously made available to the directors; channel all requests from the directors regarding the information on and documentation of those matters that fall within the purview of the Board of Directors; and act as Secretary for the General Shareholders' Meeting. He is supported by the Office of the Secretary of the Board of Directors.

- **Securities brokerage firm:** Investment services company authorized by the CNMV, whose task is to act as an intermediary in securities markets but without the power to operate for its own account. It operates on behalf of clients and charges a commission, and may also offer advice on financial investments, act as an intermediary in issuances and public offerings, and keep custody of and manage negotiable securities and other financial instruments.
- **Securities Market Law:** Law governing the Spanish systems for trading financial instruments, which lays down the principles for the organization and operation thereof and the rules applicable to the financial instruments traded therein, as well as those applicable to the issuers of such instruments, the provision of investment services in Spain and the rules for supervision, inspection and imposition of penalties.
- **Senior Management Compensation Policy:** Set of rules laying down the basic principles that govern the compensation of senior managers.
- **Senior manager:** A manager reporting directly to the Board of Directors, to the Chairman thereof or to the Chief Executive Officer of the Company and, in any event, the Director of the Internal Audit Area, as well as any other manager that the Board of Directors considers to have such status.
- **Share:** Negotiable equity security representing a pro-rata, indivisible and cumulative portion of the capital of Iberdrola, S.A., giving the holder thereof the rights and obligations inherent to shareholder status. See "[General Shareholders' Meeting](#)", "[Shareholders' duties](#)" and "[Shareholders' rights](#)".
- **Share capital:** Equity of Iberdrola, S.A. consisting of the shareholders' contributions.
- **Share capital in attendance in person or by proxy:** See "[Quorum to hold a valid General Shareholders' Meeting](#)".
- **Share premium:** Difference between the issue price of a share and the nominal value thereof.
- **Shareholder:** Individual or legal entity holding shares of Iberdrola, S.A. and deemed to be an owner of the Company in proportion to their interest therein.
- **Shareholder's Guide:** Document published by Iberdrola, S.A. on occasion of each General Shareholders' Meeting, which systematizes and further develops the provisions of the Company's Corporate Governance System regarding the rights of the shareholders in connection with the holding of the General Meeting, within the framework of the corporate interest.
- **Shareholders:** All of the individuals and legal entities holding shares of Iberdrola, S.A.
- **Shareholders' Club:** Initiative adopted by Iberdrola, S.A. in order to strengthen the relationship with those persons who have demonstrated their support for and confidence in the track record of the Company through the purchase of securities thereof. Joining this club allows the shareholders of Iberdrola, S.A. to be continuously informed of the performance and strategy of the Company.
- **Shareholders' duties:** The shareholders of Iberdrola, S.A. must exercise their rights in respect of the Company and the other shareholders, and must comply with their duties, acting loyally, in good faith and transparently, within the framework of the corporate interest as an interest that should prevail over each shareholder's individual interest and pursuant to the Company's Corporate Governance System, accepting the substantive and formal limitations to which their rights are subject and the rules on conflicts of interest and competition, and ensuring the transparency of related-party and significant transactions as well as the truthfulness of public disclosures. See "[Shareholders](#)".
- **Shareholders' rights:** The rights conferred upon the owner of shares by law or the *By-Laws*. See "[Shareholders](#)".
- **Significant event:** Notice sent by the Company to the CNMV in order to immediately publicize and disseminate significant information to the market, pursuant to the provisions of Section 82 of the Securities Market Law. See "[Securities Market Law](#)".
- **Significant interest:** Percentage of the capital of a company held by a shareholder directly or indirectly (through other persons or entities) and that exceeds a threshold specified from time to time by regulation. In Spain, it is currently deemed that a shareholder possesses a significant interest when holding at least 3% of the share capital. Changes in a significant interest must be reported by the shareholder to the CNMV and published on the Company's website.
- **Significant shareholder:** Shareholder whose interest is equal to or greater than that legally regarded as significant at any time. See "[Significant interest](#)".
- **Simple debenture:** Fixed-income negotiable security representing a debt for the issuer thereof, which bears interest in favor of the investor and is repayable at maturity or upon early repayment.
- **Social Responsibility Policies:** Sets of rules establishing the principles and values that express the commitment of Iberdrola, S.A. in the area of corporate ethics and corporate social responsibility and which include: the *General Corporate Governance Policy*, the *Innovation Policy*, the *Quality Policy*,

the *Knowledge Management Policy*, the *Environmental Policy*, the *Policy against Climate Change*, the *Biodiversity Policy*, the *Recruitment and Selection Policy*, the *Policy for the Reconciliation of Personal and Working Life and Equal Opportunity*, the *Occupational Risk Prevention Policy* and the *Contracting and Relationship with Suppliers Policy*. See "[Corporate social responsibility](#)".

- **Special purpose entity:** Also known as special purpose vehicle, it is an entity created for a specific purpose or for a limited period.
- **Split-off:** Resolution adopted by the shareholders at the General Shareholders' Meeting in order to divide all of the corporate assets or one or more portions thereof and transfer them en bloc to an existing or newly-created company that acquires them as a universal successor.
- **Stock Exchange:** Organized market, subject to government regulation and supervised by the CNMV. It has the exclusive right to trade shares and convertible securities or securities granting subscription rights. Also traded thereon are government- and privately-owned fixed-income securities, as well as warrants, certificates and exchange traded funds (ETFs). There are four traditional Stock Exchanges in Spain (Madrid, Barcelona, Bilbao and Valencia, part of the holding company BME) along with an electronic system for trading on all of them based on the Spanish Automated Quotation System (Sistema de Interconexión Bursátil Español (SIBE)).
- **Subholding companies:** Companies of the Iberdrola Group with their own decision-making areas, in charge of the day-to-day effective management of each business subgroup. They are organized based on their boards of directors (with the presence of independent directors), audit committees and internal audit areas.
- **Sustainability index:** Reference standard prepared by a specialized agency, which a company may choose to follow for the preparation of sustainability reports. See "[Sustainability Report](#)".
- **Sustainability Report:** Report setting forth the result of the activities undertaken by the Group as to the three aspects of sustainable development: economic, environmental and social, in accordance with the Global Reporting Initiative's G3 standard.

## T

- **Territorial Committees:** External advisory committees for purposes of better information and knowledge by the Company of the unique characteristics of the various territories in which the Company and its Group do business.
- **Transfer of shares:** Transaction whereby a change in ownership of the shares is effected.

## U

- **Unified Good Governance Code:** Document approved by the CNMV on May 22, 2006 in order for listed companies to state in their annual corporate governance report whether or not they follow the recommendations established in the area of corporate governance.

## V

- **Vice-Chairman of the Board of Directors:** Position held, at the proposal of the Chairman and after a report of the Nominating and Compensation Committee, by one or more members of the Board of Directors in order to temporarily replace the Chairman of the Board of Directors in the event of vacancy, absence, sickness or disability.
- **Voting quorum:** The minimum number of shares whose holders are present in person and by proxy and that must be voted in favor of the proposed resolutions submitted to the shareholders at the General Meeting in order that such resolutions may be deemed to be effectively and validly adopted.

# W

- **Withdrawal, removal and resignation of Directors:** Termination of the relationship between a director and the Company, which occurs upon the expiration of the term of office to which the director was appointed or when so decided by the shareholders in exercise of their powers at the General Shareholders' Meeting. Directors shall tender their resignation to the Board of Directors and formally resign from their position when they are involved in any circumstance of incompatibility or prohibition; when, as a result of acts or conduct attributable to the director, serious damage is caused to the value or reputation of the Company or there is a risk to the Company of criminal liability; when they cease to deserve the respectability or to have the capability, expertise, competence, availability or commitment to their duties required to serve as directors of the Company, and in the other instances contemplated by law and in the Corporate Governance System. The Board of Directors shall, if appropriate, propose the removal thereof to the shareholders at the General Shareholders' Meeting.

