



**REPORT STATING THE REASONS OF THE PROPOSAL OF DELEGATION OF POWERS TO THE BOARD  
OF DIRECTORS TO ISSUE FIXED INCOME SECURITIES AND INSTRUMENTS OF ANALOGOUS  
NATURE BY THE COMPANY EDP RENOVÁVEIS S.A. ISSUED BY THE DIRECTORS ON THE MEETING  
DATED 19 FEBRUARY 2020  
(Ninth Item of the Agenda)**

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## **1. PURPOSE OF THE REPORT**

The present report is formulated by the Board of Directors of EDP Renováveis, S.A. (hereinafter “**EDP Renováveis**” or “the Company”), in order to explain the reasons for the proposed resolution corresponding to the ninth item of the Agenda, submitted to approval of the General Shareholders’ Meeting of EDP Renováveis, convened on March 26<sup>th</sup>, 2020, at 12:00 p.m., on first call or, on April 2, 2020, at 12 p.m., on second call.

The proposed resolution refers to the delegation of powers to the Board of Directors to: (i) issue, in one or more occasions, any fixed-income securities or debt instruments of analogous nature (including, but without limitation, bonds, and promissory notes) up to the maximum amount permitted by the law, as well as, fixed-income securities or other type (warrants included), convertible or exchangeable into shares of the Company, or recognize the right of subscription or acquisition of shares of the Company, or from other companies, up to a maximum amount of three hundred million Euros (€ 300.000.000) or its equivalent in other currency, and (ii) increase the capital up to the amount they deem fit to the conversion of the convertible fixed-income securities and /or the exercise of the warrants into new shares.

## **2. APPLICABLE LAW**

In accordance with established under articles 319 of Mercantile Registry Regulations (Reglamento del Registro Mercantil) and 406 of the Spanish Companies Act (“*Ley de Sociedades de Capital*”), the General Shareholders’ Meeting may delegate on the Directors the power to issue bonds or other values that recognize or create debt, establishing a maximum of five (5) years for the exercise of this power.

On the other hand, the possibility of delegating the power to Directors to issue convertible bonds, arises as an application by analogy of the possibility of delegating the power to Directors to agree, in one or more occasions, a capital increase, in accordance with article 297.1. b) of the Spanish Company Law (*Ley de Sociedades de Capital*).

Finally, and in relation with the requirements of the present report, the article 286 of the Spanish Company Law, concerning the amendment of the Articles of Association, in relation with article 297.1.b), establishes the obligation for directors of preparing a written report which justifies the proposed resolution for the delegation agreement.

## **3. REPORT STATING THE REASONS**

The proposed resolution of delegation of powers to the Board of Directors to issue any fixed-income securities or debt instruments of analogous nature, is justified by the convenience of having powers the current law allows to delegate, in order to be able, at any time, to raise on the primary securities markets, the required funds for an adequate management of the corporate interest, in accordance with the common practice for listed companies.

The proposed delegation, shall grant to the Board of Directors with room for manoeuvre and capacity to respond, as required in the competitive environment where the Company operates, where usually, the success of an strategic initiative or financial transaction,

depends on the possibility of carrying it out quickly, without the delay and costs that necessarily implies calling and having a Shareholders' General Meeting.

Furthermore, the approval of the proposed resolution, shall empower the Board of Directors of the Company, if appropriate, to raise the necessary resources, in a timely effective way and taking advantage of the certain opportunities that may arise in the market that are more advantageous for the Company.

#### **4. BASIC ELEMENTS OF THE PROPOSAL**

Therefore, a proposed resolution is submitted to the Shareholder's General Meeting consideration. This proposal includes the following basic elements:

##### **1. Securities to be issued:**

The proposal recognizes Board of Directors the power to issue debentures, bonds and otherwise fixed-income securities of analogous nature, either simple, convertible and/or exchangeable, as well as warrants over Company's shares or over other companies shares, newly issued or already existing.

##### **2. Duration of the delegation:**

The issuance of the securities may be executed on one or several times, at any time, within a maximum term of five (5) years as pursuant to article 319.2 of Mercantile Registry Regulations.

##### **3. Maximum amount under this delegation:**

The proposed resolution submitted to approval of General Shareholders' Meeting, establishes as aggregate maximum amount of securities to be issued: (i) the permitted according to the Law for fixed-income securities or debt instruments of simple nature and (ii) three hundred million euros (€300.000.000), or the equivalent thereof in another currency at the issuance, for fixed income securities or other type of securities (including warrants) of analogous nature convertible or exchangeable.

The Board of Directors considers advisable that the limits of the authorization proposed to the General Shareholders' Meeting shall be broad enough, to enable the raise of funds at capital markets, in the appropriate amount for the required purposes, and in advantageous conditions for the Company.

##### **4. Scope of the delegation:**

The delegation to the Board of Directors shall include, as broadly as is required by Law, to define the different terms and conditions of each issuance.

Therefore, namely, but without limitation, the Board of Directors shall be responsible for defining for each issuance: (i) its amount, (ii) the place of issuance, (iii) the currency of issuance, and if it is a foreign currency, its equivalent in euros, (iv) its type, (v) the issuance date(s), (vi) the conditions in which securities may be exchanged in whole or in part, (vii) the interest rate, (viii) date and procedure for payment of the coupon, (ix) their perpetual or redeemable nature and, in this latter

case, the redemption period and the maturity date(s), (ix) the redemption price, premiums and batches, (x) the guarantees, (xii) the type of representation, (xiii) the subordinate nature of the securities issued, (xiv) the number of securities and par value, (xv) the applicable law, (xvi) the request of admission to listing on secondary markets, (xvii) appointment of the trustee of the syndicate of holders of the securities, (xvii) approving the main rules that must regulate the legal relationships between the Company and said syndicate, (xviii) the amendment of terms and conditions of the securities issued subject to obtainment of any authorization that may be required, and (xix) in general, the establishment any other condition related the issuance.

**5. Basis and methods of conversion:**

The proposal submitted to General Shareholders' Meeting approval, defines the basis and methods of conversion or exchange of debts or bonds into shares, as well as the execution exercise of warrants. The Board of Directors shall be empowered to execute and define, for each issuance the corresponding basis and methods of conversion, exchange and exercise of rights for a specific issuance, within the limits and in accordance with the criteria determinate by the General Shareholders' Meeting.

Furthermore, when approving an issuance of convertible securities debentures under the scope of this authorization granted by the Shareholders' Meeting, the Board of Directors shall issue a report explaining and specifying, the basis and methods of conversion specifically applicable to the issue along with a report prepared by an auditor other than the Company's auditor, both pursuant to the provisions of the Spanish Companies Law.

**6. Capital increase:**

The delegation to the Board of Directors provided for herein shall also include, if it is decided to issue convertible securities into new shares of the Company, the power to increase the share capital when necessary for the conversion of such instruments.

Share capital increases are subject to the general limit of one half of the existing share capital at the time of authorization as provided in Article 297.1. b) of the Spanish Company Law. To this extent, it shall also be taken into account the increases performed under any other delegations to increase the share capital granted to the Board of Directors.

In addition, the Board of Directors is also empowered to request the admission to listing of new shares that may be issued in any stock exchange or regulated market, national or foreign, within the terms of the applicable law.

Finally, if permitted in the applicable law, it is advisable to empower the Board of Directors, to exclude, in whole or in part, the preemptive right held by shareholders, when so justified in the interests of the Company

**7. Warrants:**

It is proposed that the rules provided in sections 5 to 6 above shall apply, *mutatis mutandi*, in the case of the issuance of warrants or other analogous securities that may give grant, directly or indirectly, the right to subscribe new shares of the Company, the delegation includes the broadest powers, with the same scope as the previous sections, to decide on all matters it deems appropriate in relation to this type of securities.

**8. Admission to trading:**

It is proposed to empower the Board of Directors, for the performance of formalities and steps required for the admission to listing on secondary markets, official or unofficial, organized or otherwise, domestic or foreign, of securities that are issued by virtue of this delegation.

**9. Guarantee of issues of fixed-income securities made by companies in the Group:**

The proposed resolution includes the power of Board of Directors to guarantee in the name of the Company, within the above mentioned limits, any new issuance of securities (including convertible or exchangeable securities) that may be made by companies belonging to the Group during the period this resolution remains in force.

**10. Delegation, substitution and revocation of powers:**

With the purpose to comply with article 239.bis.l) of the Spanish Company Law, it is proposed to empower the Board of Directors to, at the same time, to delegate to the Executive Committee or any of the Directors the powers contained in this resolution and also the power to grant the powers required to carry out those powers given.

**5. PROPOSED RESOLUTION**

The Board of Directors submits to the General Shareholders' Meeting the approval of the following proposed resolution, referred to the ninth item of the Agenda:

“Delegate in the Company’s Board Of Directors, in accordance with articles 297.1.(b), 401 and the following of the Spanish Companies Law (Ley de Sociedades de Capital), the article 319 of Commercial Registry Regulation and the general rules for bonds issuance, for a five (5) year term, and with the express substitution power, for the issuance in one or more occasions of any: (i) fixed income securities or other debt instruments of analogous nature (including but without limitation, bonds, and promissory notes) up to the maximum amount permitted by the law, as well as (ii) fixed income securities or other type of securities (warrants included ) convertible or exchangeable, at Board of Directors discretion, into company’s shares or, that recognize, at the Board of Directors’ discretion, the right of subscription or acquisition of shares of Company shares or from other companies, for a maximum amount up to three hundred million euro(€300.000.000), or its equivalent in other currency, at the moment of issuance. Board of Directors is also

authorised, with express substitution power, to establish the criteria for determining the bases and methods of the convertible or the subscription share right, and the power to carry out an increase of the social capital up the amount deem it fit, as well as, according to the Law, the power of exclusion of the Shareholder's pre-emptive rights.

The delegation to the Company's Board of Directors shall be carried out pursuant to the following terms:

1. Issue of Securities. The securities referred to in this delegation may be debentures, bonds and otherwise fixed income securities and debt instruments of analogous nature permitted by the Law, including but without limitation, promissory notes, warrants or securities of analogous nature, including bonds and debentures that may entitle, directly or indirectly, to the acquisition of Company's shares already issued, shares from other group companies or from companies not belonging to the group, pay off by physical delivery or by net settlement. This delegation also includes convertible fixed income securities and warrants that incorporate the option to subscribe new shares of the Company.
2. Duration of the delegation. The issuance of the securities covered by this delegation may be performed in one or more occasions, at any time, within a maximum period of five (5) years from the date of the adoption of this resolution, beyond which, the delegation will be rescinded by expiration, for the part not issued at such moment.
3. Maximum amount under this delegation. The aggregate maximum amount of the security issue(s), resolved upon this delegation shall be: (i) permitted according to the Law for fixed-income securities or debt instruments of simple nature and (ii) of three hundred million euros (€300.000.000), or the equivalent in another currency at the moment of issuance for fixed-income securities or other securities (including warrants) of analogous nature, convertible or exchangeable.

For the purpose of calculating the above limit, in the case of warrants, it will apply the sum of the premiums and exercise prices of each issuance of warrants approved under this delegation. In the case of fixed-income securities, the outstanding balance of same shall be taken into account for the purposes of calculating the limit.

It is placed on record that the limitation established on article 405 of the Spanish Company Law related to the issuance of bonds or other values that recognize or create debt shall apply to the Company.

4. Scope of the delegation. The delegation referred to in this resolution includes, as broadly as required by Law, the establishment of the different terms and conditions of each issuance of securities. Namely, but without limitation, the Board of Directors shall be responsible for determining for each issuance of securities, its amount, always within the quantitative global limits; the place of issuance (whether national or foreign), and the currency of issuance, and where it is a foreign currency, its equivalent in euros; its type, either bonds and debentures or any permitted by the law; the date(s) of issuance; when the securities are not convertible, the possibility to be total or partially exchanged, in whole or in part for preexisting shares of any type of the Company or of other Group companies or of other companies not belonging to the group, and the possibility to be necessarily or voluntarily exchanged and, in the latter case, at the choice of the holder of the securities or of the Company, or include an

acquisition option right over such shares; the interest rate, date and procedure for payment of the coupon; their perpetual or redeemable nature and, in this latter case, the redemption period and the maturity date(s); the redemption price, premiums and batches, the guarantees, including mortgages; the type of representation, by certificates or book entries; the subordinated nature of the securities issued; the number of securities and their par value; applicable law, either national or foreign; request, as the case may be, the admission to trading on secondary markets, official or unofficial, organized or unorganized, national or foreign, of the securities issued in compliance with the requirements of the legislation in force in each case; and in general, any other condition for the issuance, as well as, as the case may be, designating the trustee of the corresponding syndicate of holders of the securities that may be issued and approving the main rules that must regulate the legal relationships between the Company and said syndicate which, if deemed appropriate, may exist.

The delegation also includes the authorization to the Board of Directors of the power to decide on the condition of redemption of the securities issued under this authorization, and any terms and conditions provided pursuant to the Spanish Companies Law, may be used for such purpose. Furthermore, the Board of Directors is also empowered to modify the terms and conditions of such securities, where it sees fit and subject to obtain of any authorization that may be required and, as the case may be, the agreement of the assemblies of the corresponding syndicates of holders of the pertinent securities that may be issued in use of this authorization.

5. Basis and methods of conversion. In the case of issuance of fixed income securities convertible into new shares of the Company, according to the terms and conditions set above, and for the purposes of determining the basis and methods of conversion or exchange, it is agreed to establish the following criteria:
- (i) The securities issued under the scope of this resolution may be convertible, in whole or in part, into new shares of the Company, ordinary or of any other type, in accordance with a fixed (determined or determinable) or variable conversion, with the frequency and during the time period established in the issue resolution, a period which may not exceed fifteen (20) years from the date of issuance.
  - (ii) The Board of Directors is empowered to determine when convertible fixed income securities are necessarily or voluntarily convertible, and, where voluntary, whether it is at their holder's option or the Company's option, the Company being always entitled to repay the securities in cash.
  - (iii) For the purposes of conversion, fixed income securities shall be valued at their par value, with the possibility to include or not accrued interests not paid at the moment of conversion.
  - (iv) In the case of fixed conversion issuance, shares shall be valued to this effect, at the exchange fixed ratio determined in the resolution of the Board of Directors that execute this delegation, or at the exchange ratio determinable on the date(s) indicated in the resolution of the Board of Directors, and, in such case, may be determinable in accordance with the market price in the period(s) set by the Board of Directors, with or without discount.

- (v) It may also be agreed the issuance of fixed income securities convertible with a variable conversion ratio. In this case, and to this extent, the share price shall be determined in accordance with the arithmetic average of the closing prices of the Company shares within a period to be agreed by the Board of Directors.
- (vi) The Board of Directors may establish that the Company keeps the right to choose, at any time, between the conversion into new shares or the exchange for existing shares, specifying the nature of the shares to be allocated upon conversion or exchange, and may even choose to allocate a combination of new and preexisting shares. In all cases, the Company must respect an equal treatment among all holders of fixed income securities that are converted or exchanged on the same date. The Company may as well opt to pay an amount in cash instead of deliver the shares, in whole or in part.
- (vii) When the conversion is executed, any share fraction to be delivered to the holder of the fixed income securities shall be rounded according to the criteria set by the Board of Directors, and in case of rounding down the value, if so decided by the Board of Directors, each holder shall receive any difference that may arise due to such circumstance in cash.
- (viii) When new shares are delivered, the value of the share for the purposes of the conversion ratio may not be less than its par value under any circumstances. Furthermore, pursuant to the Spanish Companies Law, fixed income securities that are convertible may not be issued at a value below their par value. Neither shall these securities be converted into shares when its par value is lower than the par value of the shares into which they are to be converted.
- (ix) When approving the issuance of convertible securities under the scope of this authorization by the General Shareholders' Meeting, the Board of Directors shall prepare a report explaining and specifying, on the basis of the above criteria, the basis and methods of conversion specifically applicable to the issue along with a report prepared by an auditor other than the Company's auditor, both pursuant to the provisions of the Spanish Companies Law.

6. Capital increase. The delegation in favour of the Board of Directors provided for herein shall also include, without limitation, the following powers:

- (i) To the extent permitted by the applicable law, the power of the Board of Directors, to exclude, in whole or in part, the preemptive subscription right held by shareholders, when so justified in the interests of the Company;
- (ii) As provided in the Spanish Company Law, the power to increase capital, in one or more occasions, in the amount necessary to meet the requests for conversion of convertible securities issued under this delegation. This power may only be exercised to the extent that the Board of Directors does not exceed with such increases, combined with any other capital increases that may be performed under other delegations to increase capital stock that the Board of Directors may have, the limit of one half of the capital stock, as



provided for in the Spanish Company Law, taking into consideration the share capital at the time of authorization. This authorization to increase the capital, also includes the power to issue and put into circulation, in one or more occasions, the shares that are necessary to perform the conversion provided that it is in accordance with the Spanish Companies Law, the power to redraft the article of the Articles of Association in relation to the share capital amount and as the case may be, to cancel any part of the capital increase that was not necessary to convert the securities into shares. In accordance with the Spanish Companies Law, in the capital increases executed to meet such requests for conversion shall not apply the preemptive right of shareholders.

The Board of Directors is also empowered to request the listing, of any shares that may be issued in any stock exchange or regulated market, national and foreign, within the terms of the applicable law.

- (iii) The power to further elaborate and specify the basis and methods of conversion, taking into account the criteria established in section 5 above and, in general and on the broadest terms, the determination of all such matters and conditions as may be necessary or appropriate for the issuance of securities. The Board of Directors, at the future Shareholders' Meetings held by the Company, shall inform to the shareholders on any use made up to that time of the delegation to issue convertible fixed-income securities into Company shares.

7. Warrants. The rules provided for in sections 5 to 6 above shall apply, *mutatis mutandis*, in the case of the issuance of warrants or other analogous securities that may grant, directly or indirectly, the right to subscribe new shares of the Company, the delegation includes the broadest powers, with the same scope as the previous sections, to decide on all matters it deems appropriate in relation to this type of securities.
8. Admission to trading. The Company shall request, when appropriate, the admission to listing on secondary markets, official or unofficial, organized or otherwise, domestic or foreign, of securities that are issued by virtue of this delegation, and the Board of Directors is also empowered to perform the formalities and steps necessary for admission to listing before the competent bodies of the different securities markets, national or foreign.
9. Guarantee of issues of fixed income securities made by companies in the Group. The Board of Directors of the Company shall also be empowered to guarantee, in the name of the Company, within the above mentioned limits, any new issuances of securities (even convertible or exchangeable securities), that may be made by companies belonging to the Group during the period this resolution remains in force.
10. Delegation, substitution and revocation of powers. The Board of Directors is expressly empowered to, at the same time, to delegate to the Executive Committee or any of the Directors the powers contained in this resolution and also the power to grant the powers required to carry out those powers given”.



Lisbon (Portugal), 19<sup>th</sup> February 2020.

Board of Directors of **EDP Renováveis, S.A.**