Shareholder Remuneration Policy

15 December 2015

The Board of Directors of IBERDROLA, S.A. (the “Company”) is responsible for preparing the Shareholder Remuneration Policy thereof and making the corresponding proposals for the remuneration of its shareholders. The Shareholder Remuneration Policy of the Company is based on the following principles:

1. Purpose

The purpose of the Shareholder Remuneration Policy is to link shareholder remuneration to the profits of the Company.

2. Sustainable Creation of Value and Improvement in Profitability

The mission of the companies making up the group of which the Company is the controlling entity, within the meaning established by law, is to lead the sustainable creation of value for society, citizens, customers, shareholders, and the communities in which it does business, equitably compensating all groups that contribute to the success of its business enterprise, and to make new investments considering their social return, generating employment and wealth for society with a long-term vision that achieves a better future without compromising present results.

Within the framework of the above and of the corporate interest, the Company takes into account in its strategic planning specific and measurable economic and financial objectives that always seek improved profitability and the sustainable creation of shareholder value.

3. Conformance to Applicable Legal Provisions

The resolutions adopted by the shareholders at the General Shareholders’ Meeting and by the Board of Directors in implementation of the Shareholder Remuneration Policy of the Company shall in all cases follow the provisions set out in applicable legal rules and the Corporate Governance System, and shall take into consideration good governance recommendations generally recognised in the international markets in this area.

4. Actions of the Board of Directors

The Board of Directors, within the scope of its powers, shall propose to the shareholders at the General Shareholders’ Meeting the decisions it deems most appropriate regarding the distribution of dividends and, if applicable, shall resolve on the payment of interim dividends.

The Board of Directors may also propose other forms of the Company’s shareholder remuneration, including flexible remuneration systems (scrip dividends), programmes for the buyback and cancellation of shares, increases in paid-up capital, distributions in kind, etc., and shall decide on the intervals at which such forms shall be applied.

5. Levels of Shareholder Remuneration

In the absence of circumstances warranting the modification thereof, any of the above forms of shareholder remuneration (pay-out) of the Company must be sustainable, compatible with the maintenance of its financial strength, and in line with the level of companies having a similar business profile. In application of these standards, shareholder remuneration shall be between 65% and 75% of the net profits attributed to the Company, as controlling company, in its consolidated annual accounts.

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This Shareholder Remuneration Policy was initially approved by the Board of Directors on 23 October 2007 and was last amended on 15 December 2015.