

**ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS
OF LISTED COMPANIES**

Data identifying issuer

Ending date of reference financial year	31/12/2015
Tax Identification Code	A-48010615
Registered name	IBERDROLA, S.A.
Registered address	Plaza Euskadi número 5, Bilbao 48009 Biscay Spain

A. REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT FINANCIAL YEAR

A.1. Explain the company's remuneration policy. This section will include information regarding:

- **General principles and foundations of the remuneration policy.**
- **Most significant changes made to the remuneration policy from the policy applied during the prior financial year, as well as changes made during the year to the terms for exercising options already granted.**
- **Standards used and composition of groups of comparable companies whose remuneration policies have been examined to establish the company's remuneration policy.**
- **Relative significance of the variable items of remuneration as compared to fixed items and standards used to determine the various components of the director remuneration package (remunerative mix).**

Explain the remuneration policy

Pursuant to article 48.1 of the By-Laws, the overall limit to the amounts allocated by Iberdrola, S.A. ("Iberdrola" or the "Company") to the directors each year as remuneration, including, in the case of executive directors, remuneration payable for performing executive duties, as well as the funding of a reserve to meet the liabilities assumed by the Company in connection with pensions, payment of life insurance premiums, payment of severance to former and current directors, and the operating expenses of the Board of Directors, is a maximum of 2% of the consolidated group's profit for the financial year, after allocations to cover the legal and other mandatory reserves and after declaring a dividend to the shareholders of not less than 4% of the share capital. This amount was 17,000 thousand euros in 2015 (it was 19,000 thousand euros in 2014).

The value of the shares or options thereon, or any remuneration indexed to the listing price, which in any event must be approved by the shareholders at the General Shareholders' Meeting, is not included in the calculation for the purposes of such limit.

As regards external directors, the Director Remuneration Policy seeks to remunerate the directors appropriately in recognition of their dedication and the responsibility they assume, in line with the market remuneration paid at companies of a similar nature.

As far as executive directors are concerned, the Remuneration Policy follows the same standards as those of the Senior Officer Remuneration Policy and shares the same principles and guidelines as those of the Company's personnel remuneration policy, i.e. commitment to personal and corporate ethics, excellence in the selection process, constant training, gender equality, meritocracy and talent recognition, reconciliation, and significance of the variable remuneration component. All of the foregoing is intended to align the Company's remuneration policy with the corporate interest and shareholder return, within the framework of IBERDROLA's commitment to all stakeholders with which it interacts. In this regard, the Board of Directors believes that one of the key factors that make the difference in the performance of utilities is, specifically, the success or failure of strategic decisions made by the Company's management team. All utilities can choose the same businesses, markets, and technologies. However, their individual performance may be different. The Board of Directors believes that such difference depends upon the talent, effort, creativity, leadership, and management skills of each company. Therefore, IBERDROLA's Remuneration Policy seeks to retain, reward, and attract the most competent professionals. The investment in remuneration has a major impact on the creation of sustainable value for its shareholders and stakeholders. In this regard, Iberdrola has shown consistently better performance than comparable companies. Proof of this lies in the fact that 10 years ago, Iberdrola was the seventh-largest European utility by stock market capitalisation, and today is the largest. Furthermore, it has achieved the long-term goals announced for the end of 2016 almost a full year in advance. The Integrated Report 2015 (section 2.7) includes the conclusions from a comparative analysis performed by PricewaterhouseCoopers. This Report also reflects external recognition of the good performance of the Company and its executives in various areas.

The remuneration payable to the directors is structured in accordance with the provisions of the Director

Remuneration Policy appearing as an Annex to this report.

Finally, the final structure of the “remunerative mix” of executive directors is based on performance compared to predetermined benchmark parameters in order to pay the variable remuneration, as well as the value of any shares to be delivered in payment of the medium- and long-term variable remuneration, and ultimately on the Board of Directors’ assessment of the performance of such directors.

There have been no major changes in the remuneration policy as compared to the policy applied during prior financial years.

A.2. Information regarding preparatory work and the decision-making process followed to determine the remuneration policy, and any role played by the Remuneration Committee and other control bodies in the configuration of the remuneration policy. This information shall include, if appropriate, the mandate and composition of the Remuneration Committee and the identity of external advisers whose services have been used to determine the remuneration policy. There shall also be a statement of the nature of any directors who have participated in the determination of the remuneration policy.

Explain the process for determining the remuneration policy

As provided in the *By-Laws* and in the internal regulations of Iberdrola, the Board of Directors, upon a proposal of the Remuneration Committee, is the body with power to set the remuneration of directors, except for the remuneration consisting of the delivery of shares of Iberdrola or of options thereon or which is indexed to the price of the shares of Iberdrola, which must be approved by the shareholders acting at a General Shareholders’ Meeting.

Iberdrola’s Board of Directors formulates the Company’s *Director Remuneration Policy*, which forms part of the Corporate Governance System.

Said *Director Remuneration Policy*, which is available on the corporate website (www.iberdrola.com), implements, among other things, the structure for the remuneration of the directors for their activities as such and the structure of the executive directors’ remuneration for the performance of their executive duties.

The Remuneration Committee, which met on 10 occasions during 2015, is comprised of:

- Ms Inés Macho Stadler (chair, independent)
- Mr Íñigo Víctor de Oriol Ibarra (member, other external)
- Mr Santiago Martínez Lage (member, independent)
- Mr Rafael Mateu de Ros Cerezo (secretary, non-member)

In all of their decision-making processes, this Committee and the Board of Directors have received information and advice from the internal services of the Company and from expert external consultants in this area, taking into consideration the most demanding remuneration recommendations and policies at the international level. This particularly includes the advice of PricewaterhouseCoopers.

This Committee also periodically compares the relevant data to information corresponding to comparable markets and entities, taking into account size, international scope, and features. In this regard, MERCER, a consultant specialising in compensation matters, was requested to prepare a comparative study of the remuneration package of the executive directors in 2013. The annex to this report shows a sample of comparable entities that MERCER used as a reference. In summary, the conclusion is that the remuneration policy for Iberdrola’s executive directors is in line with international market practice. As stated in the preceding section, the remuneration package for the executive directors and senior officers reflects the quality of their performance and the goal of the Board of Directors to retain, reward, and attract talent and management skills, as this is one of the key and distinctive factors contributing to the better performance of a company like IBERDROLA.

A.3. State the amount and nature of the fixed components, with a breakdown, if applicable, of remuneration for the performance by the executive directors of the duties of senior management, of additional remuneration as chair or member of a committee of the board, of attendance fees for participation on the Board and the

committees thereof, or other fixed remuneration as director, and an estimate of the annual fixed remuneration to which they give rise. Identify other benefits that are not paid in cash and the basic parameters upon which such benefits are provided.

Explain the fixed components of remuneration
<p>For financial year 2016, at the proposal of the Remuneration Committee, the Board of Directors has unanimously resolved to maintain the fixed remuneration and attendance fee amounts. These amounts have been frozen since 2008.</p> <p>Fixed remuneration of the directors for belonging to the Board of Directors and to the committees thereof based on the position held in each case was as follows:</p> <ul style="list-style-type: none"> • Chairman of the Board of Directors: 567 thousand euros • Chairs of the consultative committees: 440 thousand euros • Members of the consultative committees: 253 thousand euros • Members of the Board of Directors: 165 thousand euros <p>Currently, all members of the Board of Directors take on responsibilities on one of the four committees of the Board.</p> <p>Attendance fees of the directors for belonging to the Board of Directors and to the committees thereof based on the position held in each case were as follows:</p> <ul style="list-style-type: none"> • Chairman of the Board of Directors and chairs of the consultative committees: 4 thousand euros • Members of the Board of Directors and of the consultative committees: 2 thousand euros <p>The Board of Directors has resolved to maintain the fixed remuneration for the performance of executive duties of the chairman & chief executive officer for financial year 2016 at 2,250 thousand euros.</p>

A.4. Explain the amount, nature, and main features of the variable components of the remuneration systems.

In particular:

- **Identify each of the remuneration plans of which the directors are beneficiaries, including the scope, date of approval, date of implementation, date of effectiveness, and main features thereof.**
In the case of share option plans and other financial instruments, the general features of the plan shall include information on the conditions for the exercise of such options or financial instruments for each plan.
- **State any remuneration received under profit-sharing or bonus schemes, and the reason for the accrual thereof.**
- **Explain the fundamental parameters and rationale for any annual bonus plan.**
- **The classes of directors (executive directors, external proprietary directors, external independent directors, or other external directors) that are beneficiaries of remuneration systems or plans that include variable remuneration.**
- **The rationale for such remuneration systems or plans, the chosen standards for evaluating performance, and the components and methods of evaluation to determine whether or not such evaluation standards have been met, as well as an estimate of the absolute amount of variable remuneration to which the current remuneration plan would give rise, based on the level of compliance with the assumptions or goals used as a benchmark.**

- **If applicable, information shall be provided regarding any payment deferral periods that have been established and/or the periods for retaining shares or other financial instruments.**

Explain the variable components of the remuneration systems

The only directors that receive variable remuneration are the executive directors. For 2016, the Board of Directors has resolved to maintain the maximum limit on the annual variable remuneration of the chairman & chief executive officer at the same level as in 2015 (3,250 thousand euros).

The payment of annual variable remuneration is linked to three types of 2016 parameters, which are focused on the Company's medium-term performance, in line with the presentation to the financial community on Investor Day to be held in London on 24 February 2016:

- a) Economic and financial
 - Results: reach recurring net profit in excess of that for financial year 2015.
 - Increase shareholder remuneration to the same level as after tax profit (ATP).
- b) Operational and industrial in each of the markets.
 - Comply with regulatory requirements on service quality demanded in the principal markets in which the Company does business.
 - Labour climate.
- c) Corporate social responsibility
 - Growth in emission-free installed capacity to reach the goal of 50% reduction in emissions intensity by 2030.
 - Presence on international indices, like FTSE4Good, Dow Jones Sustainability Index, and World's Most Ethical Company (Ethisphere Institute).
 - Level of consensus received for the proposals of the Board of Directors at the General Shareholders' Meeting.

The Board of Director's evaluation will be conducted based on the proposal to be made thereto by the Remuneration Committee, advised by an independent expert, which will take into account the individual performance of each of the executive directors.

In addition, the shareholders acting at the General Shareholders' Meeting held on 28 March 2014 approved, as item seven on the agenda, a new Strategic Bonus 2014-2016 as a long-term incentive linked to the performance of the Company with respect to certain parameters, under the following guidelines:

- Beneficiaries: a maximum of 350, including executive directors.
- Parameters: net profit, share price performance, and financial strength.
- Maximum number of shares to be delivered: 19,000,000, equal to 0.3% of share capital.
- Maximum for all executive directors: 2,200,000 shares.
- Term: evaluation period 2014-2016 and payment period 2017-2019.

A.5. Explain the main features of the long-term saving systems, including retirement and any other survival benefit, either wholly or partially financed by the company, and whether funded internally or externally, with an estimate of the equivalent annual amount or cost thereof, stating the type of plan, whether it is a defined-contribution or benefit plan, the conditions for the vesting of economic rights in favour of the directors, and the compatibility thereof with any kind of indemnity for early termination or severance of the contractual relationship between the company and the director.

Also state the contributions on the director's behalf to defined-contribution pension plans; or any increase in the director's vested rights, in the case of contributions to defined-benefit plans.

Explain the long-term savings systems

The Company pays the premiums under insurance policies that it has taken out with certain insurance companies for the coverage of the death and disability of directors caused by accidents, and the Company itself assumes coverage of benefits for the death or disability of directors due to natural causes. Furthermore, the Company pays the premiums under insurance policies providing coverage against civil liability deriving from holding the office of director. The total estimated cost of said premiums comes to 727 thousand euros.

The Company has no commitment to any long-term defined-contribution or defined-benefit retirement or savings system for any director.

A.6. State any severance payments agreed to or paid in case of termination of duties as a director.

Explain the severance payments

In the event of termination of a non-proprietary external director prior to the expiration of the term to which said director was appointed that is not the consequence of a breach attributable thereto or solely due to a voluntary decision thereof, the Company makes a severance payment to said director to compensate for the director's adherence to the agreement not to compete, i.e. the director's obligation to not hold positions in the management bodies of companies in the energy industry or of other competitor companies and to not otherwise participate in the management thereof or in the provision of advice thereto.

The amount of the severance payment is equal to 90% of the fixed amount that the director would have received for the remainder of the director's term (considering that the director will maintain the annual fixed amount received at the time of termination), subject to a maximum equal to two times 90% of such annual fixed amount.

Contracts with new executive directors and senior officers include, as from 2011, maximum severance equal to two times annual salary in the event of termination of their relationship with the Company, provided that termination of the relationship is not the result of a breach attributable thereto or solely due to a voluntary decision thereof.

The Company included guarantee clauses of up to five years in contracts with its key officers 16 years ago. Subsequently, in 2001, when the current chairman joined the Company, he received the treatment in effect for such officers, in order to achieve an effective and sufficient level of loyalty. As chairman & chief executive officer, he is currently entitled to three times annual salary.

The Board of Directors has analysed this situation, the treatment of which is necessarily collective in nature. Any reduction in the salary multiples used for termination purposes would carry high costs for the Company, for which reason the Board of Directors believes that it is most appropriate not to change the *status quo*. Any proposed reduction in the salary multiples would have a higher cost for the Company, as the amount of the contingency will gradually decrease due to the passage of time, resulting in payments far smaller than any possible reduction in the agreed severance payment, taking into account the average age of the affected group and the low likelihood of the guarantees being enforced. In this regard, it should be pointed out that at year-end 2014, there were 62 officers in this group. At year-end 2015, the number decreased to 52 without the execution of any guarantee clause.

A.7. State the terms and conditions that must be included in the contracts of executive directors performing senior management duties. Include information regarding, among other things, the term, limits on severance payment amounts, continuance in office clauses, prior notice periods and payment in lieu of prior notice, and any other clauses relating to hiring bonuses, as well as benefits or golden parachutes

due to early termination or severance of the contractual relationship between the company and the executive director.

Include, among other things, any clauses or agreements on non-competition, exclusivity, continuance in office or loyalty, and post-contractual non-competition.

Explain the terms of the contracts of the executive directors

The contracts with the executive directors are of indefinite duration, and financial compensation is contemplated in the event of termination of the contractual relationship with the Company, provided that said termination is not caused by a breach of the director's duties. The contract provides for a prior notice period of 3 months.

Applicable legal provisions are those provided by law in each case.

Executive directors have the duty to strictly observe the rules and provisions contained in the Company's Corporate Governance System, to the extent applicable thereto.

The contracts in all cases establish a duty not to compete with respect to companies and activities that are similar in nature during the term of their relationship with the Company and for a maximum period of two years thereafter. In compensation for this commitment, the chairman & chief executive officer is entitled to severance pay equal to the remuneration for such period.

There is a rigorous duty of confidentiality both during the term of the contract and after the relationship has terminated. In addition, upon termination of their relationship with Iberdrola, executive directors must return to the Company any documents and items relating to their activity in their possession.

A.8. Explain any supplementary remuneration accrued by the directors in consideration for services provided other than those inherent in their position.

Explain the supplementary remuneration
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A.9. State any remuneration in the form of advances, loans, or guarantees provided, with an indication of the interest rate, main features, and amounts ultimately returned, as well as the obligations assumed on their behalf as a guarantee.

Explain the advances, loans, and guarantees provided
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A.10. Explain the main features of remunerations in kind.

Explain the remunerations in kind

Remunerations in kind for all members of the Board of Directors are not significant and will not exceed 98 thousand euros (employee electricity rate and life and casualty insurance).

A.11. State the remuneration accrued by the director by virtue of payments made by the listed company to a third party to which the director provides services, if such payments are intended to provide remuneration for the services thereof in the company.

Explain the remuneration accrued by the director by virtue of the payments made by the listed company to a third party to which the director provides services

- A.12. Any item of remuneration other than those listed above, of whatever nature and provenance within the group, especially when it is deemed to be a related-party transaction or when the making thereof detracts from a true and fair view of the total remuneration accrued by the director.**

Explain the other items of remuneration

- A.13. Explain the actions taken by the company regarding the remuneration system in order to reduce exposure to excessive risk and align it with the long-term goals, values, and interests of the company, including any reference to: measures provided to ensure that the remuneration policy takes into account the long-term results of the company, measures establishing an appropriate balance between the fixed and variable components of remuneration, measures adopted with respect to those categories of personnel whose professional activities have a significant impact on the entity's risk profile, recovery formulas or clauses giving the right to demand the return of the variable components of remuneration based on results if such components have been paid based on data that is later clearly shown to be inaccurate, and measures provided to avoid any conflicts of interest.**

Explain actions taken to reduce risks
Annual and multi-year variable remuneration is tied to the performance of the executive directors and indexed to performance with respect to industrial, financial, and corporate social responsibility parameters. Performance is evaluated by the Board of Directors, upon a proposal of the Remuneration Committee. This Committee is in turn advised by an independent firm (PricewaterhouseCoopers in recent years) that evaluates the various governance bodies of the Company.
It should be noted that multi-year variable remuneration is related to the performance of the executive directors and of the Company itself over a 3-year period, and does not accrue until the Board of Directors performs the corresponding evaluation. In addition, any payment thereof is deferred over the next 3 years.
Prior to payment, all deferred variable remuneration requires a prior report from the Remuneration Committee confirming that the rationale supporting such deferred variable remuneration still applies. If there is a circumstance that requires an <i>a posteriori</i> correction to the parameters taken into account in the initial assessment, the Board of Directors will decide whether it is appropriate to partially or completely cancel payment of the deferred variable remuneration (<i>malus</i> clause).

B. Section deleted.

**OVERALL SUMMARY OF THE APPLICATION OF THE REMUNERATION POLICY
DURING THE YEAR JUST ENDED**

- C.1. Summarise the main features of the structure and items of remuneration from the remuneration policy applied during the financial year just ended, which give rise to the breakdown of individual remuneration accrued by each of the directors as reflected in section D of this report, and provide a summary of the decisions made by the board to apply such items.**

Explain the structure and items of remuneration from the remuneration policy applied during the financial year

The structure and items of remuneration from the <i>Director Remuneration Policy</i> applied during financial year 2015 do not differ from the provisions of section A of this report.
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C. BREAKDOWN OF INDIVIDUAL REMUNERATION ACCRUED BY EACH OF THE DIRECTORS

Name	Class	Accrual period – Financial Year 2015
SANTIAGO MARTÍNEZ LAGE	Independent	From 01/01/2015 to 31/12/2015
ÁNGEL JESÚS ACEBES PANIAGUA	Independent	From 01/01/2015 to 31/12/2015
GEORGINA KESSEL MARTÍNEZ	Independent	From 01/01/2015 to 31/12/2015
JOSÉ IGNACIO SÁNCHEZ GALÁN	Executive	From 01/01/2015 to 31/12/2015
MARÍA HELENA ANTOLÍN RAYBAUD	Independent	From 01/01/2015 to 31/12/2015
SAMANTHA BARBER	Independent	From 01/01/2015 to 31/12/2015
SEBASTIÁN BATTANER ARIAS	Independent	From 01/01/2015 to 17/02/2015
XABIER DE IRALA ESTÉVEZ	Proprietary	From 01/01/2015 to 31/12/2015
JULIO DE MIGUEL AYNAT	Independent	From 01/01/2015 to 17/02/2015
IÑIGO VÍCTOR DE ORIOL IBARRA	Other external	From 01/01/2015 to 31/12/2015
INÉS MACHO STADLER	Independent	From 01/01/2015 to 31/12/2015
BRAULIO MEDEL CÁMARA	Independent	From 01/01/2015 to 31/12/2015
JOSÉ LUIS SAN PEDRO GUERENABARRENA	Other external	From 01/01/2015 to 31/12/2015
DENISE MARY HOLT	Independent	From 01/01/2015 to 31/12/2015
MANUEL MOREU MUNAIZ	Other external	From 17/02/2015 to 31/12/2015
JOSÉ WALFREDO FERNÁNDEZ	Independent	From 17/02/2015 to 31/12/2015

D.1. Complete the following tables regarding the itemised remuneration of each of the directors (including remuneration for the performance of executive duties) accrued during the financial year.

a) Accrued remuneration at the company covered by this report:

i. Cash remuneration (thousands of €)

Name	Salaries	Fixed remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration for belonging to committees of the Board	Severance payments	Other items	Total 2015	Total 2014
MARÍA HELENA ANTOLÍN RAYBAUD	0	165	44	0	0	231	0	4	444	289
INÉS MACHO STADLER	0	165	72	0	0	275	0	3	515	519
JOSÉ LUIS SAN PEDRO GUERENABARRENA	0	165	42	0	0	88	0	1	296	1,319
ÁNGEL JESÚS ACEBES PANIAGUA	0	165	56	0	0	88	0	2	311	299
SANTIAGO MARTÍNEZ LAGE	0	165	30	0	0	88	0	3	286	287
JULIO DE MIGUEL AYNAT	0	22	10	0	0	36	40	2	110	493
BRAULIO MEDEL CÁMARA	0	165	28	0	0	88	0	3	284	273
SAMANTHA BARBER	0	165	44	0	0	275	0	2	486	496
XABIER DE IRALA ESTÉVEZ	0	165	44	0	0	88	0	1	298	299

SEBASTIÁN BATTANER ARIAS	0	22	6	0	0	11	23	2	64	285
JOSÉ IGNACIO SÁNCHEZ GALÁN	2,250	567	88	3,250	0	0	0	66	6,221	6,171
IÑIGO VÍCTOR DE ORIOL IBARRA	0	165	42	0	0	88	0	5	300	288
GEORGINA KESSEL MARTÍNEZ	0	165	68	0	0	250	0	1	484	286
DENISE MARY HOLT	0	165	42	0	0	88	0	1	296	139
JOSÉ WALFREDO FERNÁNDEZ	0	143	36	0	0	77	0	0	256	0
MANUEL MOREU MUNAIZ	0	143	24	0	0	68	0	0	235	0

ii. Share-based remuneration systems

JOSÉ IGNACIO SÁNCHEZ GALÁN STRATEGIC BONUS 2011-2013												
Date of implementation	Ownership of options at beginning of 2015					Options allocated in 2015						
	No. of options	Shares affected	Exercise price (€)	Exercise period		No. of options	Shares affected	Exercise price (€)	Exercise period			
27/05/2011	0	0	0.00	There was no option plan at the beginning of the year		0	0	0.00	There is no option plan for the year			
Terms: There is no option plan												
Shares delivered in 2015			Options exercised in 2015				Options expired and not exercised	Options at end of 2015				
No. of Shares	Price	Amount	Exercise Price (€)	No. of options	Shares affected	Gross profit (m€)	No. of options	No. of options	Shares affected	Exercise price (€)	Exercise period	
536,359	6.131	3,288	0.00	0	0	0	0	0	0	0.00	There are no options at end of year	
Other requirements for exercise: there are no other requirements												

JOSÉ LUIS SAN PEDRO GUERENABARRENA STRATEGIC BONUS 2011-2013												
Date of implementation	Ownership of options at beginning of 2015						Options allocated in 2015					
	No. of options	Shares affected	Exercise price (€)	Exercise period			No. of options	Shares affected	Exercise price (€)	Exercise period		
27/05/2011	0	0	0.00	There was no option plan at the beginning of the year			0	0	0.00	There is no option plan for the year		
Terms: There is no option plan												
Shares delivered in 2015			Options exercised in 2015				Options expired and not exercised	Options at end of 2015				
No. of Shares	Price	Amount	Exercise Price (€)	No. of options	Shares affected	Gross profit (m€)	No. of options	No. of options	Shares affected	Exercise price (€)	Exercise period	
90,640	6.131	556	0.00	0	0	0	0	0	0	0.00	There are no options at end of year	
Other requirements for exercise: there are no other requirements												

iii. Long-term savings systems

b) Remuneration accrued by directors of the company for belonging to boards at other companies of the group:

i. Cash remuneration (thousands of €)

Name	Salaries	Fixed remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration for belonging to committees of the Board	Severance payments	Other items	Total 2015	Total 2014
MARÍA HELENA ANTOLÍN RAYBAUD	0	0	0	0	0	0	0	0	0	0
INÉS MACHO STADLER	0	0	0	0	0	0	0	0	0	0
JOSÉ LUIS SAN PEDRO GUERENABARRENA	0	0	0	0	0	0	0	0	0	0
ÁNGEL JESÚS ACEBES PANIAGUA	0	0	0	0	0	0	0	0	0	0
SANTIAGO MARTÍNEZ LAGE	0	0	0	0	0	0	0	0	0	0
JULIO DE MIGUEL AYNAT	0	0	0	0	0	0	0	0	0	0
BRAULIO MEDEL CÁMARA	0	0	0	0	0	0	0	0	0	0
SAMANTHA BARBER	0	0	0	0	0	0	0	0	0	0
XABIER DE IRALA ESTÉVEZ	0	0	0	0	0	0	0	0	0	0

SEBASTIÁN BATTANER ARIAS	0	0	0	0	0	0	0	0	0	0
JOSÉ IGNACIO SÁNCHEZ GALÁN	0	0	0	0	0	0	0	0	0	0
IÑIGO VÍCTOR DE ORIOL IBARRA0	0	0	0	0	0	0	0	0	0	0
GEORGINA KESSEL MARTÍNEZ	0	0	0	0	0	0	0	0	0	0
DENISE MARY HOLT	0	0	0	0	0	0	0	0	0	0
JOSÉ WALFREDO FERNÁNDEZ	0	0	0	0	0	0	0	0	0	0
MANUEL MOREU MUNAIZ	0	0	0	0	0	0	0	0	0	0

ii. Share-based remuneration systems

iii. Long-term savings systems

c) Summary of remuneration (thousands of €):

The summary must include the amounts for all items of remuneration included in this report that have been accrued by the director, in thousands of euros.

In the case of long-term saving systems, include contributions or funding for these types of systems:

Name	Accrued remuneration at the Company				Accrued remuneration at companies of the group				Total		
	Total cash remuneration	Amount of shares granted	Gross profit on options exercised	Total financial year 2015 company	Total cash remuneration	Amount of shares delivered	Gross profit on options exercised	Total 2015 group	Total 2015	Total 2014	Contribution to savings systems during the year
MARÍA HELENA ANTOLÍN RAYBAUD	444	0	0	444	0	0	0	0	444	289	0
INÉS MACHO STADLER	515	0	0	515	0	0	0	0	515	519	0
JOSÉ LUIS SAN PEDRO GUERENABARRENA	296	556	0	852	0	0	0	0	852	1,819	0
ÁNGEL JESÚS ACEBES PANIAGUA	311	0	0	311	0	0	0	0	311	299	0
SANTIAGO MARTÍNEZ LAGE	286	0	0	286	0	0	0	0	286	287	0
JULIO DE MIGUEL AYNAT	110	0	0	110	0	0	0	0	110	493	0
BRAULIO MEDEL CÁMARA	284	0	0	284	0	0	0	0	284	273	0

SAMANTHA BARBER	486	0	0	486	0	0	0	0	486	496	0
XABIER DE IRALA ESTÉVEZ	298	0	0	298	0	0	0	0	298	299	0
SEBASTIÁN BATTANER ARIAS	64	0	0	64	0	0	0	0	64	285	0
JOSÉ IGNACIO SÁNCHEZ GALÁN	6,221	3,288	0	9,509	0	0	0	0	9,509	9,128	0
IÑIGO VÍCTOR DE ORIOL IBARRA	300	0	0	300	0	0	0	0	300	288	0
GEORGINA KESSEL MARTÍNEZ	484	0	0	484	0	0	0	0	484	286	0
DENISE MARY HOLT	296	0	0	296	0	0	0	0	296	139	0
JOSÉ WALFREDO FERNÁNDEZ	256	0	0	256	0	0	0	0	256	0	0
MANUEL MOREU MUNAIZ	235	0	0	235	0	0	0	0	235	0	0
TOTAL	10,886	3,844	0	14,730	0	0	0	0	14,730	14,900	0

D.2. Report the relationship between remuneration obtained by the directors and the results or other indicators of the entity's performance, explaining how any changes in the company's performance may have influenced changes in the remuneration of the directors.

The reference figures for determining annual variable remuneration of the executive directors for performance in 2015 were identified in the report approved by the shareholders at the General Shareholders' Meeting held on 27 March 2015, and are focused on the Company's medium-term performance, based on three parameters:

- Economic/financial.
- Operational and industrial in each of the markets.
- Corporate social responsibility.

The Company has relied on the advice of PricewaterhouseCoopers Asesores de Negocios, S.L. to evaluate the Company's performance level regarding these indicators.

The financial year results, both at the operational and economic/financial levels, have exceeded the budget and the commitments made to the financial community at the Investor Day presentation in London on 19 February 2014. In fact, the long-term goals announced for the end of 2016 have been achieved almost one year in advance, making Iberdrola the leading European utility by stock market capitalisation (it was the seventh ten years ago), which will allow it to increase shareholder remuneration by 4%.

Due to the foregoing, the Board of Directors, upon a proposal of the Remuneration Committee, believes that the goals for financial year 2015 were satisfactorily achieved. The Company's performance with respect to the aforementioned parameters is described below:

- Net profit reached 2,422 million euros, exceeding the projections announced at Investor Day and reflected in the Director Remuneration Report 2014 approved at the 2015 General Shareholders' Meeting.
- EBITDA was 7,306 million euros, broadly exceeding the projections announced at Investor Day.
- The merger of UIL Holdings Corporation into Avangrid, Inc. occurred in December 2015, reflecting the value of the Company's assets in the United States, with hardly any cash payment, and maintaining financial strength with leverage of 40.7%. Avangrid, Inc. is listed on the New York Stock Exchange with a stock market capitalisation of more than 12,000 million dollars.
- The listing price of IBERDROLA's shares increased 17% in 2015 (which together with the dividend meant a 21.9% total shareholder return), while the Eurostoxx Utilities and the average for competitors decreased 5.4% and 28.5%, respectively. Furthermore, 91% of the principal international investment banks recommend purchasing or holding Iberdrola shares.
- Operational and industrial parameters:
 - Service quality and level: the internal indicator used by Iberdrola has had a positive trend in recent years and, and they have exceeded regulatory requirements in each of the countries in which they are used.
 - The availability of generation plants was higher than expected.
 - Accident rate: the accident rate continues to drop. All regulatory parameters have been exceeded, and in 2015 there were no accidents with leave in hydroelectric generation activity in Spain.
 - Labour climate: the results of the evaluation stayed the same in the survey conducted for these purposes, despite an environment of corporate and labour restructuring. It should be noted in this regard that in the last survey sent to 24,526 employees worldwide, in which the main indicator was "pride in belonging", the overall grade was 8.5 out of 10.
- Iberdrola maintained its presence on the Dow-Jones Sustainability Index and obtained the highest score in the Climate Disclosure Leadership Index and the highest category in the Climate Performance Leadership Index. Furthermore, IBERDROLA is once again on the FTS4Good index.
- The percentage of emissions-free installed capacity has increased over the average of recent years. In 2015, Iberdrola committed itself to a 50% reduction in emissions intensity by 2030. Through its chairman, Iberdrola has also had a major presence on energy and environmental matters at the

Conference of Parties (COP 21) and at the World Economic Forum.

- El Integrated Report was published in February 2015.
- The results of the voting at the General Shareholders' Meeting, both as regards the attendance quorum (above 78%) and support for the proposals of the Board of Directors, have been above those of the other Spanish companies with a high level of free-float. In particular, only 1.15% of the votes were cast against the Annual Director Remuneration Report. All of the above means that there has been a shareholder consensus level above that of other large Spanish and international listed companies.

D.3. Report the results of the consultative vote of the shareholders on the annual remuneration report for the preceding financial year, indicating the number of votes against, if any:

	Number	% of total
Votes cast	4,906,072,705	97.65%

	Number	% of total
Votes against	58,081,088	1.18%
Votes in favour	4,217,790,834	85.97%
Abstentions	630,200,783	12.85%

D. OTHER INFORMATION OF INTEREST

If there are any significant aspects regarding director remuneration that could not be included in the other sections of this report, but should be included in order to provide more complete and well-reasoned information regarding the remuneration structure and practices of the company with respect to its directors, briefly describe them.

Section D.3 of this form of the Annual Remuneration Report does not allow for a reflection of blank votes cast at the General Shareholders' Meeting, which were 2.35% of the total votes cast.

As of the date of approval of this Report, the chairman & chief executive officer is the holder of 7,501,442 shares of Iberdrola, S.A., which is 0.12%% of the capital. Since his appointment, he has not sold shares of the Company.

The directors as a group hold 0.15% of the capital.

The notes to the annual accounts referring to the remuneration of the Board are annexed hereto as supplementary information.

This annual remuneration report was approved by the board of directors of the company at its meeting of 23 February 2016.

State whether any directors voted against or abstained in connection with the approval of this Report.

Yes No

ANNEX TO THE DIRECTOR REMUNERATION REPORT 2015

SAMPLE OF COMPARABLE ENTITIES (Section A.2)

<p><u>Domestic companies:</u></p> <ul style="list-style-type: none">• BBVA• Repsol• Telefónica• Indra• Gas Natural• Banco Santander <p><u>International companies:</u></p> <ul style="list-style-type: none">• Centrica• British American Tobacco Holdings• E.ON• National Grid• Philips• Sandvik• Smith & Nephew• Trelleborg	<ul style="list-style-type: none">• Volkswagen• Volvo• Alfa Laval• Assa Abloy• Alstom• BP International• BT Group• RWE• Total• Tullow Oil• BAE Systems• Tele2• Telefonaktiebolaget LM Ericsson• VimpelCom• Vodafone Group• BNP Paribas• Credit Suisse• Deutsche Bank
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46. REMUNERATION OF BOARD OF DIRECTORS

1. 2015 by-law stipulated remuneration

Article 48 of IBERDROLA's by-laws provides that the Company shall assign, as an expense, an amount equal to up to 2% of the profit obtained in the year by the consolidated group for the following purposes:

- To remunerate directors, in accordance to both, the positions they have held and their executive functions, considering their dedication and attendance at meetings of corporate bodies.
- To set up a fund to meet the Company's obligations in pensions, life insurance premiums and payment of indemnities to current and former directors.

In particular, the board of directors will receive a remuneration which consists of an annual fixed assignment, assistance fees and appropriate hedge risk benefits (death or permanent disability). In the case of dismissal before the end of the period for which they were appointed, the non-executive directors who were not external, shall be entitled to receive compensation for non-attendance; except those whose dismissal could have been motivated by serious breaches of administrator's function that are attributable to their own fault or be exclusively voluntary.

Assignment of up to 2% may be accrued only if the yearly profit is sufficient to cover assignments to the legal reserves and any other obligatory charges, and if shareholders have been allotted a dividend equal to 4% of the share capital.

On the proposal of the Appointments and Remuneration Committee, the Board of Directors has decided to propose to the General Shareholders Meeting to assign by-law stipulated remuneration of EUR 17,000 thousand in 2015. In 2014, it amounted to EUR 19,000 thousand.

These amounts have been registered under "Staff costs" in the Consolidated income statements (Note 35) and the break down is as follows:

a) Fixed Remuneration

The fixed annual remuneration received by the board members depends on the duties assigned to them in the Board of Directors and its commissions in 2015 and 2014. The detail of which is as follows:

	<i>Thousands of euros</i>	
	<i>2015</i>	<i>2014</i>
Chairman	567	567
Committee chairmen	440	440
Committee members	253	253
Board members	165	165

The fixed remuneration earned by members of the Board of Directors with a charge to the by-law stipulated remuneration amounted to EUR 4,551 thousand and EUR 4,335 thousand in 2015 and 2014, respectively.

The detailed fixed remuneration accrued by the members of the Board of Directors, individually, during 2015 and 2014, respectively, is detailed as follows:

	<i>Thousands of euros</i>	
	<i>Fixed remuneration 2015 (*)</i>	<i>Fixed remuneration 2014</i>
Chairman		
Mr. José Ignacio Sánchez Galán	567	567
Committee chairmen		
Mrs. Inés Macho Stadler	440	440
Mrs. Samantha Barber	440	440
Mrs. Maria Helena Antolín Raybaud ⁽¹⁾	396	253
Mrs. Georgina Kessel Martínez ⁽²⁾	415	253
Committee members		
Mr. Xabier de Irala Estévez	253	253
Mr. Íñigo Víctor de Oriol Ibarra	253	253
Mr. Braulio Medel Cámara	253	253
Mr. Santiago Martínez Lage	253	253
Mr. José Luis San Pedro Guerenabarrena	253	253
Mr. Ángel Jesús Acebes Paniagua	253	126
Mrs. Denise Mary Holt ⁽³⁾	220	-
Mr. Jose Walfredo Fernández ⁽⁴⁾	211	-
Mr. Manuel Moreu Munaiz ⁽⁵⁾		
Directors that resigned		
Mr. Manuel Lagares Gómez-Abascal ⁽⁶⁾	-	45
Mr. Julio de Miguel Aynat ⁽⁷⁾	58	440
Mr. Sebastián Battaner Arias ⁽⁸⁾	33	253
Total remuneration	4,551	4,335

(*) Amounts accrued in 2015, not satisfied until the approval of 2015 by-law stipulated remuneration by the General Shareholders Meeting 2016.

- (1) Appointed president of the Appointment Committee after the constitution on the 27 March 2015.
- (2) Appointed president of the Audit and Risk Supervision Committee by the Board of Directors in the meeting on the 17 February 2015.
- (3) Appointed external director by the Board of Directors at its meeting on 24 June 2014. Furthermore, on 22 July 2014 her appointment was approved as a member of the Audit and Risk Supervision Committee.
- (4) Appointed external director by the Board of Directors at its meeting on 17 February 2015. In turn, on that date, the Board of Directors approved his appointment as a member of the Audit and Risk Supervision Committee.
- (5) Appointed advisor as external by the Boards of Directors at its meeting on 17 February 2015. Also, on 27 March 2015, the Boards Director approved his appointment as member of the Social Responsibility Commission.
- (6) Ceased as vice-chairman of Boards of Directors at their meeting on 10 April 2014.
- (7) Ceased as independent director at the Board Meeting on 17 February 2015.
- (8) Ceased as independent director at the Board Meeting on 17 February 2015.

As a proposal of the Board of Directors, at the General Shareholder's Meeting which took place on 27 March 2015, approved the separation of the Appointments and Remuneration Commission into two different commissions; on one hand creating the Remuneration Commission and on the other the Appointments Commission.

Currently, all members of the Board of Directors of IBERDROLA assume responsibility for any of the four committees of the Board.

b) Attendance fee

The attendance fees paid in 2015 and 2014 for attending the meetings of the Board of Directors and its commissions, based on the duties discharged in each case, were as follows:

	<i>Thousands of euros</i>	
	<i>2015</i>	<i>2014</i>
Chairman of the Board of Directors and committees chairmen	4	4
Committee members and members of the Board of Directors	2	2

The attendance fees paid to the members of the Board of Directors with a charge to the by-law stipulated remuneration amounted to EUR 676 thousand and EUR 590 thousand in 2015 and 2014, respectively.

Below are listed, individually, the attendance fees received by the members of the Board of Directors during 2015 and 2014, respectively:

	<i>Thousands of euros</i>	
	<i>Attendance fee</i>	<i>Attendance fee</i>
	<i>2015</i>	<i>2014</i>
Chairman		
Mr. José Ignacio Sánchez Galán	88	88
Committee chairmen		
Mrs. Inés Macho Stadler	72	76
Mrs. Samantha Barber	44	54
Mrs. María Helena Antolín Raybaud	44	32
Mrs. Georgina Kessel Martínez	68	32
Committee members		
Mr. Xabier de Irala Estévez	44	44
Mr. Íñigo Víctor de Oriol Ibarra	42	30
Mr. Braulio Medel Cámara	28	18
Mr. Santiago Martínez Lage	30	30
Mr. José Luis San Pedro Guerenabarrena	42	44
Mr. Ángel Jesús Acebes Paniagua	56	44
Mrs. Denise Mary Holt	42	14
Mr. Jose Walfredo Fernández	36	-
Mr. Manuel Moreu Munaiz	24	-
Directors that resigned		
Mr. Manuel Lagares Gómez-Abascal	-	4
Mr. Julio de Miguel Aynat	10	50
Mr. Sebastián Battaner Arias	6	30
Total attendance fees	676	590

c) Remuneration of the executive directors for discharging their executive duties

The remunerations earned in 2015 and 2014 by the chairman and chief executive officer for their executive duties, and which are also recognised with a charge to the by-law stipulated remuneration for the year are indicated below individually by remuneration components:

Remuneration components of chairman and chief executive officer:

	<i>Thousands of euros</i>	
	<i>2015</i>	<i>2014</i>
Fixed remuneration	2,250	2,250
Variable annual remuneration (1)	3,200	3,146
Compensation in kind	66	66

(1) Amount relates to variable remuneration received in years 2015 and 2014, respectively, based on attainment of targets and personal performance in 2014 and 2013, respectively.

The Board of Directors has resolved to maintain the fixed remuneration for the chairman and chief executive officer in 2016 at EUR 2,250 thousand. It also decided to maintain the limit of variable annual remuneration, which may not exceed EUR 3,250 thousand and which will be paid as far as been agreed in 2017.

On the other hand, in 2015, the former chief operating officer received EUR 500 thousand by way of annual variable remuneration for 2014 for carrying out functions up until 24 June 2014. He also received EUR 1 thousand as remuneration in kind in 2015. In 2014 he received EUR 484 thousand as fixed remuneration, EUR 21 thousand as remuneration in kind, and EUR 16 thousand for other items.

d) Provisions and guarantees provided by the Company for directors

This account includes the following items:

- The premium incurred to cover benefits payable in the event of the death, disability and other insurance of current directors, amounting to EUR 658 thousand and EUR 869 thousand in 2015 and 2014, respectively.
- The premium paid to cover directors' Civil Liability Insurance amounts to EUR 68 thousand and EUR 86 thousand in 2015 and 2014, respectively.
- In 2015 and 2014 rebates were received amounting to EUR 447 thousand and EUR 276 thousand, respectively, with respect to the adjustment of the pension insurance policies relating to former Members of the Board of Directors.

In 2015 and 2014 no contribution was made to provision schemes additional to the public Social Security system.

e) Others

The expenses of the Board of Directors related to external services and other items during 2015 and 2014 amounted to EUR 1,393 thousand and EUR 1,189 thousand, respectively.

Additionally, under the by-law stipulated in 2015 agreements acquired by the company have been addressed amounting to EUR 63 thousand. No such payment was recorded in 2014.

The undistributed by-law stipulated remuneration for 2015 amounting to EUR 4,021 thousand can be externalized to cover the obligations incurred by the Company to ensure them, in the event they should be materialized.

At 31 December 2015 and 2014 there are no loan or advance granted by the IBERDROLA Group to the members of the Board of Directors of IBERDROLA.

2. Remuneration through the delivery of Company shares

Section 4 of Article 48 of IBERDROLA's by-laws stipulates that independently of the provisions of the foregoing paragraph, and subject always to the approval of the General Shareholders' Meeting, the compensation of directors may also consist of the delivery of shares or options thereon, as well as a payment which takes as its reference the value of the Company's shares.

Consequently, the remuneration through the delivery of Company's shares, or any other remuneration related to such shares is additional, compatible and independent of profit sharing, which is established in Section 1 article 48 of the by-laws of IBERDROLA.

a) 2011-2013 Strategic Bonus

On 24 June 2014, based on a proposal from the Appointments and Remuneration Committee, the Board of Directors resolved to settle, having met 93.20% of the targets set, the 2011-2013 Strategic Bonus, approved at the General Shareholders' Meeting of 27 May 2011 and regulated by the 2011-2013 Strategic Bonus Regulations which were also approved by the Board of Directors. Accordingly, the second of the three annual settlements were made in 2015. The Chairman and the CEO received 536,359 IBERDROLA shares while the Chief Operating Officer received 90,640 shares.

b) 2014-2016 Strategic Bonus

On 28 March 2014, the General Shareholders' Meeting resolved, in connection with item seven on the agenda, on the 2014-2016 Strategic Bonus (Note 20) aimed at executive directors, senior executives and other management personnel of the Company and its subsidiaries. The maximum number of shares to be delivered to the beneficiaries (350) of the 2014-2016 Strategic Bonus will be 19,000,000 shares, equal to 0.3% of the share capital at the time this resolution is adopted. A maximum of 2,200,000 shares will be delivered to the executive directors in compliance with the terms and conditions of the scheme. The liquidation of this strategic bonus depends on the completion of the planned objectives and it will be realised in the years 2017, 2018 and 2019.

3. Termination benefits

In the event of termination of a non-executive director prior to the end of the period for which he was appointed not due to non-compliance attributable to such director and not due exclusively to his own will, the Company will pay such director a termination benefit subject to the director's obligation during the remaining period of his term (with a maximum of two years) not to accept positions on the governing bodies of companies in the energy sector or competing companies and not to participate in the management or advisory of the same in any other form.

Termination benefits are equal to 90% of the fixed amount the director would have received for serving his or her remaining term as officer (maintaining any annual fixed amount receivable upon leaving the Board), that could not exceed an amount that is twice 90% of that annual fixed amount.

Since the end of the 90s, executive directors, as well as a group of managers, have the right to receive a termination benefit in the event of termination of the contractual relationship with the Company not due to non-compliance attributable to such director and not due exclusively to his own will. The amount of compensation for the chairman and the chief executive officer is currently set at three annuities. The limit shall be two annuities for new contracts with executive directors and senior executives, since 2011.

In addition, executive director contracts contain a non-compete clause in respect of companies and activities of a similar nature, applicable throughout the director's relationship with the Company and for a maximum of two years subsequent to departure. As compensation for this commitment, the executive directors are entitled to receive a payment equal to the remuneration that would correspond to these periods.

4. By-law stipulated remuneration in 2016

At the proposal of the Appointments and Remuneration Committee, the Board of Directors unanimously resolved to freeze, for the 2016 fiscal year, directors' compensation in the form of fixed annual remuneration based on position and meeting attendance fees, as it has done since 2008.