

Annual activities report of
the consultative committees
of the board of directors of
Iberdrola, S.A.

Committee

book

/

2014

**Annual activities report of the
consultative committees of the board
of directors of Iberdrola, S.A.**

Committee book **/** **2014**

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1 ■ Presentation

For the third consecutive year, the integrated activities reports of the Audit and Risk Supervision, Appointments and Remuneration, and Corporate Social Responsibility Committees of Iberdrola, S.A. (“Iberdrola” or the “Company”) is presented with the information for financial year 2014.

Each of the three committees, which are permanent internal informational and consultative bodies that discharge the duties laid down in the *By-Laws*, the *Regulations of the Board of Directors*, and their own respective regulations, plays a key role in the Company’s Corporate Governance System.

The committees handle the matters within their competence on an exhaustive basis, requesting the assistance of experts when the complexity of the matter so requires, in order to provide thorough and specialised treatment of all issues. From time to time, they inform the Board of Directors of the matters debated and the conclusions reached. This activity facilitates the conduct of the meetings of the Board of Directors, which is able to focus substantive issues and hold a more informed and efficient debate on the issues raised.

In order to assure heterogeneous nature of the committees, they have been provided secretaries with recognised professional experience in the area of corporate governance. All of them are practicing lawyers who are not employees of the Company, and whose dedication ensures a high level of specialisation and professionalism.



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Ignacio S. Galán
Chairman & chief executive officer

The activities reports of the committees are presented, as is now customary, in an integrated form with a unified structure, in order to facilitate the reading, analysis, and understanding thereof.

The reader will find in the following pages all the information necessary to know in detail the activities carried out by each of the three committees, avoiding unnecessary repetition and presenting the information in harmonized, summary form.

Each of the seven chapters that make up this integrated report is divided into three different sections, in which each committee gives an account of its respective work in accordance with a common pattern.

I would like to thank Samantha Barber, chair of the Corporate Social Responsibility Committee, Julio de Miguel Aynat, chair of the Audit and Risk Supervision Committee, and Inés Macho Stadler, chair of the Appointments and Remuneration Committee, for their work, dedication, and cooperation during this financial year. I also extend these thanks to the other committee members, who have demonstrated their commitment and loyalty to the Company and to its shareholders with their efforts and participation.

It is an honour for Iberdrola to have been able to draw on and to continue drawing daily on the experience, professionalism, and advice of them all.

2. Introduction

[Audit and Risk Supervision Committee](#)
[Appointments and Remuneration Committee](#)
[Corporate Social Responsibility Committee](#)

Audit and Risk Supervision Committee

The Audit and Risk Supervision Committee began to operate on a voluntary basis in October 1998. Since the entry into force of *Law 44/2002 of 22 November on Financial System Reform Measures (Ley 44/2002, de 22 de noviembre, de Medidas de Reforma del Sistema Financiero)*, the issuers of securities in official secondary markets must have an audit committee within its Board of Directors.

The committee is governed by the provisions of section 529 *quarterdecies* of the *Companies Act (Ley de Sociedades de Capital)* and of the Iberdrola group's Corporate Governance System.

The main duties of the Audit and Risk Supervision Committee fall within five large areas of endeavour: (i) Internal Audit Area; (ii) internal control and risk management systems; (iii) auditing; (iv) process of preparing economic and financial information; and (v) other powers, comprising functions assigned to the committee other than those listed above.

The Audit and Risk Supervision Committee held ten meetings during financial year 2014. Despite this number being lower than in previous financial years, the committee's level of activity has been equally high. Specifically, the Audit and Risk Supervision Committee prepared nineteen reports and proposals for submission to the Board of Directors of the Company, and the heads of various divisions of the Company and external consultants have appeared before it. It also submitted three reports and proposals to the Board of Directors of Iberdrola Finanzas, S.A. Unipersonal, with respect to which the committee discharges the duties of an audit committee.

The Audit and Risk Supervision Committee also paid particular attention to compliance with the obligations arising from the *Good Tax Practices Code* of the Company and to the implementation of improvements in the areas identified in the evaluation of the operation of the committee during financial year 2013.

It should be noted that, for the fifth consecutive year and in accordance with the guidelines of the Board of Directors of the Company and with the recently approved section 529 *nonies* of the *Companies Act*, the activities of the committee in financial year 2014 were evaluated by an external and independent firm.

According to the report prepared by PricewaterhouseCoopers Asesores de Negocios, S.L. ("PwC"), the committee is in the highest percentile for all of the compliance indicators analysed. This percentile includes the percentage of independent directors, the existence of a publication on risk policy, and the number of directors.

The section of this report on the Audit and Risk Supervision Committee has been approved by the committee for subsequent submission to the Board of Directors and to the shareholders of the Company.

PwC's evaluation report concludes as follows:

The committee has achieved very positive results, meeting 100 % of the comparative analysis indicators, in contrast to the previous financial year in which it met 89 %. It has also covered 80 % of the areas for improvement identified in 2013 (4 out of 5), which shows the special and ongoing interest of the committee in improving and updating its operation and content.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee has been rendering its services to the Company continuously since it was created in November 1997. It is governed by the provisions of section 529 *quindecies* of the *Companies Act* and the Iberdrola group's Corporate Governance System.

The main duties entrusted to the Appointments and Remuneration Committee fall within five large areas of endeavour: (i) proposals for appointment and, if appropriate, for re-election of directors and senior officers; (ii) the remuneration policies applicable thereto; (iii) contracts for services of executive directors; (iv) evaluation of the chairman & chief executive officer and of the other directors; and (v) other committee powers, for example in connection with the directors and senior officers of the main companies within the group and the companies in which it has an interest.

The Appointments and Remuneration Committee held fourteen meetings during financial year 2014, maintaining a very high level of activity as in previous financial years. It prepared 41 reports and proposals for submission to the Company's Board of Directors, and the heads of various divisions of the Company and external consultants appeared before it. During 2014, the committee applied a strict efficiency policy. Five of its meetings took the form of written proposals/reports without a meeting or of remote meetings.

In the performance of all its work, the committee particularly took into account the Company's international dimension, and thus paid particular attention to the most recent international policies, trends, and recommendations concerning structures of management decision-making bodies and the selection, appointment, and remuneration of directors and senior officers.

It is particularly noteworthy that, for the fifth consecutive year and in accordance with the guidelines of the Board of Directors of the Company and with the recently approved section 529 *nonies* of the *Companies Act*, the activities of the committee in financial year 2014 were evaluated by an external and independent firm.

According to the report prepared by PwC, the committee is in the upper portion of the compliance indicators within the highest percentile. This percentile includes the percentage of independent directors and the publication of the annual or accumulated contribution of the directors' pension plans.

The section of this report on the Appointments and Remuneration Committee has been approved by the committee for subsequent submission to the Board of Directors and to the shareholders of the Company.

PwC's evaluation report concludes as follows:

100 % of the indicators in connection with compliance with the Corporate Governance System and with the Unified Good Corporate Governance Code for Listed Companies and 82 % of the comparative analysis indicators are met, being placed in the high percentile (nine out of eleven) and 90 % of corporate governance trend-monitoring indicators evaluated (nine out of ten indicators) are met, maintaining in the three cases the level of compliance with respect to financial year 2013.

The committee has achieved 67 % of the areas for improvement identified in the current year while in the previous financial year it achieved compliance with 92 %, a smaller percentage at first, but such a reduction solely being caused by the lower number of achievement indicators of areas for improvement included this year. This is a consequence of the performance of the committee becoming more exemplary year-on-year.

Corporate Social Responsibility Committee

This committee, which was created on 19 October 2010, is governed by the provisions of the Iberdrola group's Corporate Governance System.

Iberdrola, aware of the importance of corporate social responsibility for the sustainability and competitiveness of the business, remains committed to making the management of corporate social responsibility a part of the group's Corporate Governance System. This provides it with a comprehensive view of performance in connection with corporate social responsibility at the global level and of the degree of implementation thereof in the various business lines.

The main duties of the Corporate Social Responsibility Committee fall within three large areas of endeavour: (i) corporate social responsibility; (ii) corporate reputation; and (iii) corporate governance and regulatory compliance.

In financial year 2014, the Corporate Social Responsibility Committee held ten meetings and prepared eleven reports covering different areas. Particularly noteworthy among the matters addressed by the Committee are the proposal for approval of the Company's Sustainability Report and the review of the *Annual Corporate Governance Report*, both for financial year 2013.

In addition, and among other things, the committee has supervised the operation of the Compliance Unit as well as the achievement of the goals of Fundación Iberdrola.

The Corporate Social Responsibility Committee has also continued to supervise the *Code for the Separation of Activities of the Companies of the Iberdrola Group Carrying out Regulated Activities in Spain*. As a result of the creation of Iberdrola España, S.A. Unipersonal, a company aggregating the interests of the Iberdrola group in this type of company, which approved the *Code for the Separation of Activities of the Companies of the Iberdrola Group in Spain Carrying Out Regulated Activities* on 10 December 2014, the committee shall no longer carry out this duty.

It is particularly noteworthy that, for the fifth consecutive year and in accordance with the guidelines of the Board of Directors of the Company and with the recently approved section 529 *nonies* of the *Companies Act*, the activities of the committee in financial year 2014 were evaluated by an external and independent firm.

According to the report prepared by PwC, the committee is in the highest percentile in all compliance indicators analysed. This percentile includes the percentage of independent directors, the existence of a general Corporate Social Responsibility plan for the group, and the annual publication of an integrated report.

The section of this report on the Corporate Social Responsibility Committee has been approved by the committee for subsequent submission to the Board of Directors and to the shareholders of the Company.

PwC's evaluation report concludes as follows:

The committee has achieved very positive results, meeting 100 % of the comparative analysis indicators, in contrast to the previous financial year in which it met 89 %. It has also covered almost 73 % of the areas for improvement identified in 2013 (4 out of 5), which shows the special and ongoing interest of the committee in improving and updating its operation and content.

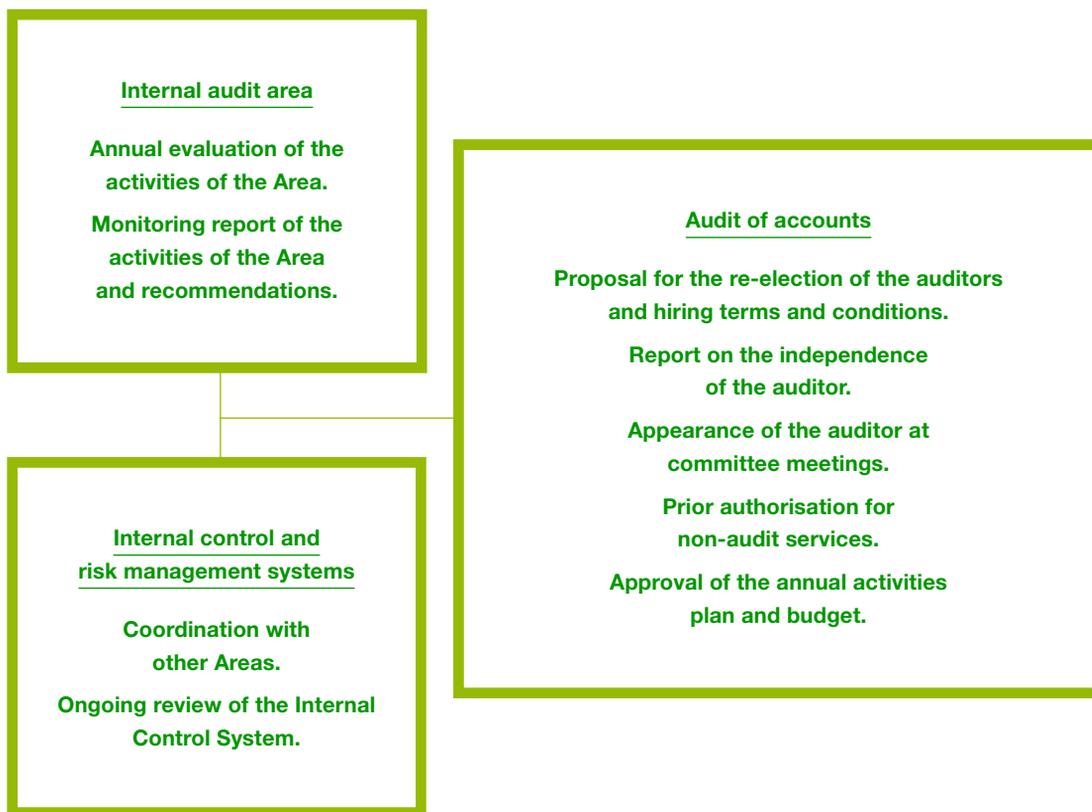
3 ■ Regulatory framework and duties

Audit and Risk Supervision Committee

The Audit and Risk Supervision Committee, which has been operating on a voluntary basis since October 1998, is mandatory for listed companies and other companies that have securities other than shares admitted to trading on regulated secondary markets since the entry into force of *Law 44/2002, of 22 November, on Financial System Reform Measures*.

It is an internal informational and consultative body created by the Board of Directors, without executive duties, with informational, advisory, and proposal-making powers within its scope of action.

Of the powers and duties attributed to it by law and the Corporate Governance System, the committee focused primarily on the following in financial year 2014:



**Other powers
and committee matters**

**Evaluation of the committee for financial
year 2013 and Committee Training Plan.**

Coordination with the Risk and Tax Divisions.

Annual Corporate Governance Report.

**Monitoring of status of
special-purpose entities.**

**Preparation of the section of the
2014 Committee Book corresponding
to the committee.**

**Process of preparing economic
and financial information**

**2013 individual and
consolidated accounts
plus Reading Guide.**

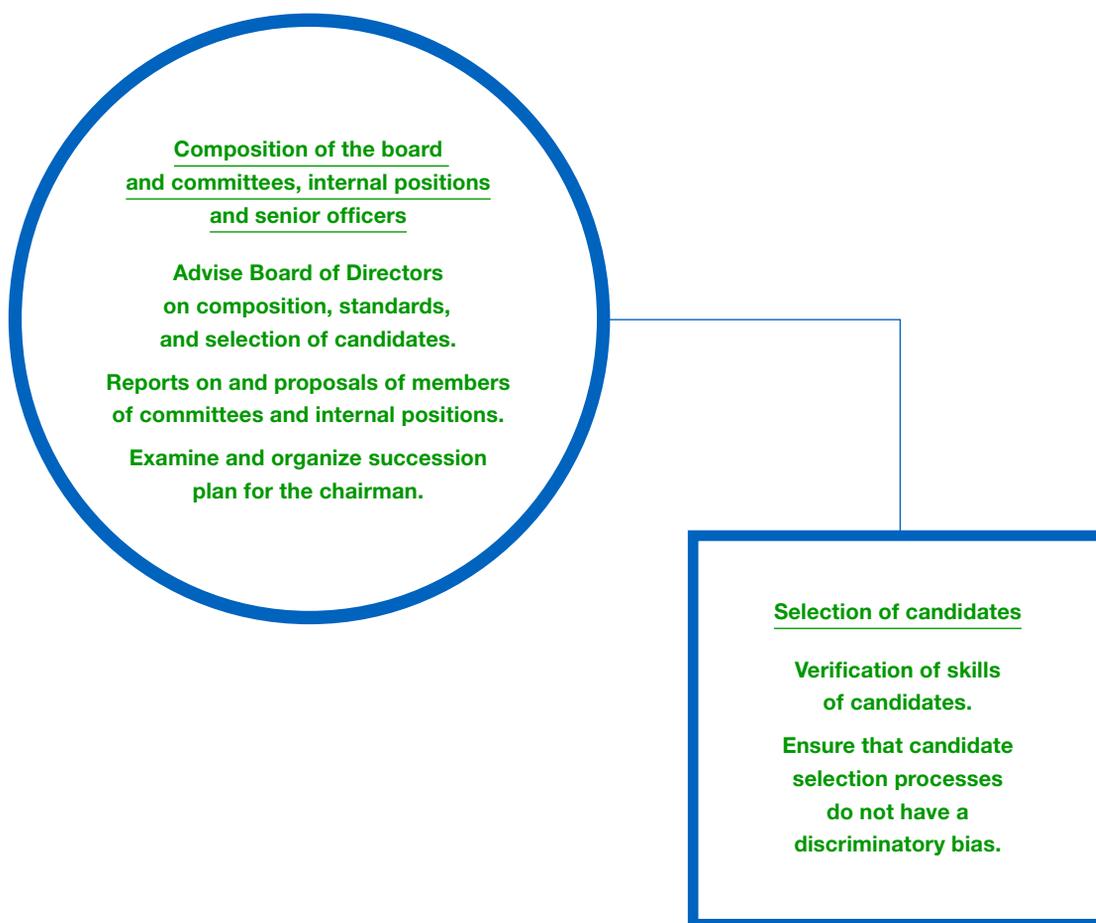
**Accounts of Iberdrola
Finanzas, S.A. Unipersonal.**

**Accounts for the first
quarter, first half, and
third quarter of 2014 of
Iberdrola, S.A. and Iberdrola
Finanzas, S.A. Unipersonal.**

Appointments and Remuneration Committee

The Appointments and Remuneration Committee is an internal informational and consultative body created by the Board of Directors, without executive duties, with informational, advisory, and proposal-making powers within its scope of action. Since the entry into force of *Law 31/2014, amending the Companies Act for the reform of Corporate Governance (Ley 31/2014, de reforma de la Ley de Sociedades de Capital para la reforma del Gobierno Corporativo)*, it is mandatory for listed companies and other companies that have securities other than shares admitted to trading on official secondary markets.

Of the powers attributed to it by the Corporate Governance System, the committee focused primarily on the following in financial year 2014:



Remuneration

Regular review of the *Director Remuneration Policy and the Senior Officer Remuneration Policy* and propose amendments thereto and updates thereof.

Proposal of system and annual amount of director remuneration, individual remuneration of executive directors, and basic terms and conditions of their contracts.

Reports, in advance and on a mandatory basis, on remuneration of independent directors at other companies of the group.

Other powers and committee matters

Evaluation of the committee for financial year 2013 and Committee Training Plan.

Annual Corporate Governance Report and Annual Director Remuneration Report.

Analysis relating to related party transactions.

Preparation of the section of the 2014 Committee Book corresponding to the committee.

Evaluation and re-election of directors

Establishment and supervision of an annual programme for evaluation and ongoing review of qualifications, training, and, if applicable, independence of directors.

Verification that the directors to be re-elected continue to meet the requirements that qualified them for their position.

Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee is a consultative body created by the Board of Directors, without executive duties, with informational, advisory, and proposal-making powers within its scope of action.

Of the powers attributed to it by the Corporate Governance System, the committee focused primarily on the following in financial year 2014:

Corporate Social

Know, promote, guide, and supervise the actions of the Company with respect to corporate social responsibility, sustainability, innovation, employment, satisfaction, and diversity.

Review of the Corporate Social Responsibility Policies, propose their modification and evaluate execution plans relating thereto.

Evaluation of regulatory and legal developments, as well as voluntary corporate social responsibility initiatives and the possible effects thereof on the activities of the group.

Issuance of a report on the annual sustainability report.

Information on the performance by foundational institutions linked to the group of the activities entrusted thereto.

Corporate reputation

Know, promote, guide, and supervise the actions of the Company with respect to corporate reputation and report thereon to the Board of Directors.

Report on activities with respect to foundational institutions linked to the group.

Evaluation of the development of the group's Corporate Reputation Plan and monitor the level of compliance therewith.

Other powers and committee matters

Evaluation of the activities of the committee in financial year 2013 and the Committee Training Plan.

Review the powers of the committee.

Preparation of the section of the 2014 Committee Book corresponding to the committee.

Corporate governance and regulatory compliance

Supervision of compliance of the Corporate Governance System with laws and regulations.

Issuance of a report on the *Annual Corporate Governance Report* prior to its approval.

Issuance of an opinion on the annual report prepared by the group's regulated companies.

Receipt of information from the Compliance Unit.

Review of the internal policies and procedures of the Company together with the Compliance Unit.

4. Composition and attendance at meetings



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Audit and Risk Supervision Committee

In the picture, from left to right, Mr Julio de Miguel Aynat, Ms Denise Mary Holt, Ms Georgina Kessel Martínez, Mr Sebastián Battaner Arias, and behind them, Mr Rafael Sebastián Quetglas.

The table below shows the composition of the Audit and Risk Supervision Committee as of 31 December 2014.

<u>Position</u>	<u>Director</u>	<u>Status</u>
Chair	Mr Julio de Miguel Aynat	Independent external
Member	Mr Sebastián Battaner Arias	Independent external
Member	Ms Georgina Kessel Martínez	Independent external
Member	Ms Denise Mary Holt	Independent external

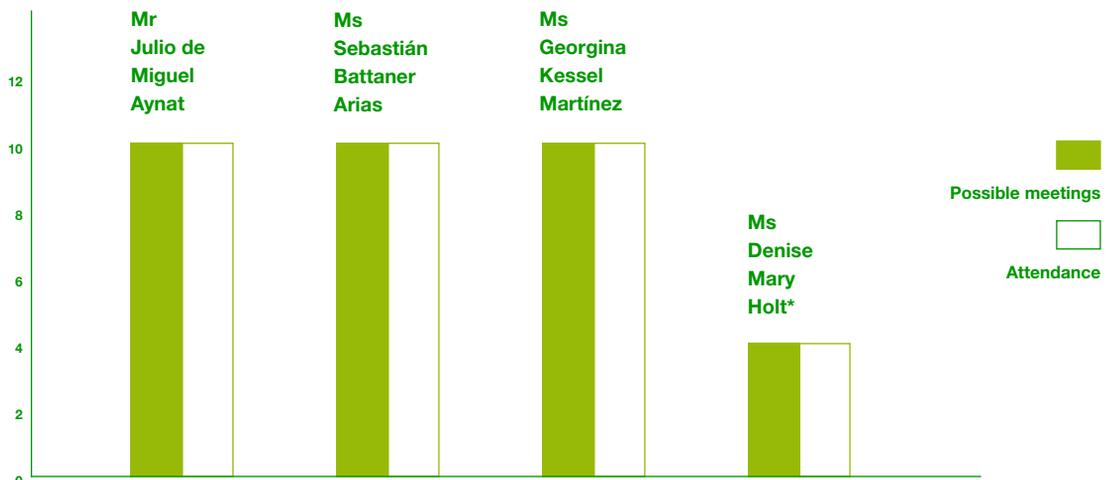
Mr Rafael Sebastián Quetglas holds the position of secretary of the committee.

On 26 June 2014, the Board of Directors of Iberdrola appointed, on an interim basis and upon the prior proposal of the Appointments and Remuneration Committee, Ms Denise Mary Holt as an independent director of the Company and a member of its Audit and Risk Supervision Committee.

The *curricula vitae* of the members of this committee are available on the Iberdrola website (www.iberdrola.com).

The amounts received by the members of the committee for the performance of their duties can be seen in the *Annual Director Remuneration Report*, which is located on Iberdrola's website (www.iberdrola.com).

Shown below is the level of attendance of each of the members of the committee in financial year 2014. Once can see that the directors attended all meetings held.



* Ms Denise Mary Holt is member of the Board and member of the Audit and Risk Supervision Committee since 26th June 2014.



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Appointments and Remuneration Committee

In the picture, from left to right, Mr Rafael Mateu de Ros Cerezo, Mr Iñigo de Oriol Ibarra, Ms Inés Macho Stadler and Mr Santiago Martínez Lage.

The following table shows the composition of the Appointments and Remuneration Committee as of 31 December 2014.

<u>Position</u>	<u>Director</u>	<u>Status</u>
Chair	Ms Inés Macho Stadler	Independent external
Member	Mr Íñigo Víctor de Oriol Ibarra	Independent external
Member	Mr Santiago Martínez Lage	Independent external

Mr Rafael Mateu de Ros Cerezo, who is also the legal counsel to the Board of Directors (*letrado asesor*), is the secretary of this committee.

The *curricula vitae* of the members of this committee are available on the Iberdrola website (www.iberdrola.com).

The amounts received by the members of the committee for the performance of their duties can be seen in the *Annual Director Remuneration Report*, which is located on Iberdrola's website (www.iberdrola.com).

Shown below is the level of attendance of each of the members of the committee in financial year 2014. One can see that the directors attended all the meetings held.





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Corporate Social Responsibility Committee

In the picture, from left to right, Mr Fernando Bautista Sagüés, Ms Samantha Barber, Ms María Helena Antolín Raybaud and Mr Braulio Medel Cámara.

The table below shows the composition of the Corporate Social Responsibility Committee as of 31 December 2014.

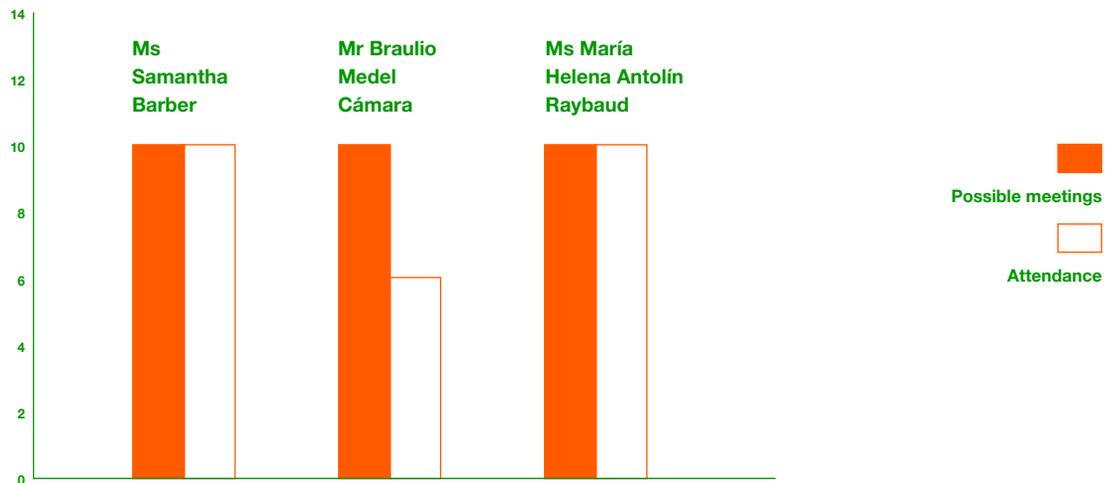
<u>Position</u>	<u>Director</u>	<u>Status</u>
Chair	Ms Samantha Barber	Independent external
Member	Mr Braulio Medel Cámara	Independent external
Member	Ms María Helena Antolín Raybaud	Independent external

Mr Fernando Bautista Sagüés is the secretary of this committee.

The *curricula vitae* of the members of this committee are available on the Iberdrola website (www.iberdrola.com).

The amounts received by the members of the committee for the performance of their duties can be seen in the *Annual Director Remuneration Report*, which is located on Iberdrola's website (www.iberdrola.com).

Shown below is the level of attendance of each of the members of the committee in financial year 2014.



5. Operation

Pursuant to article 12 of the *Regulations of the Audit and Risk Supervision Committee*, article 12 of the *Regulations of the Appointments and Remuneration Committee*, and article 9 of the *Regulations of the Corporate Social Responsibility Committee*, the committees shall meet as many times as may be necessary in the opinion of their respective chairs to exercise the powers entrusted thereto. They shall also meet at the request of at least two of their members. The chairman & chief executive officer may request informational meetings of a committee on an exceptional basis.

The table below shows the main indicators of the operation of the committees during financial year 2014.

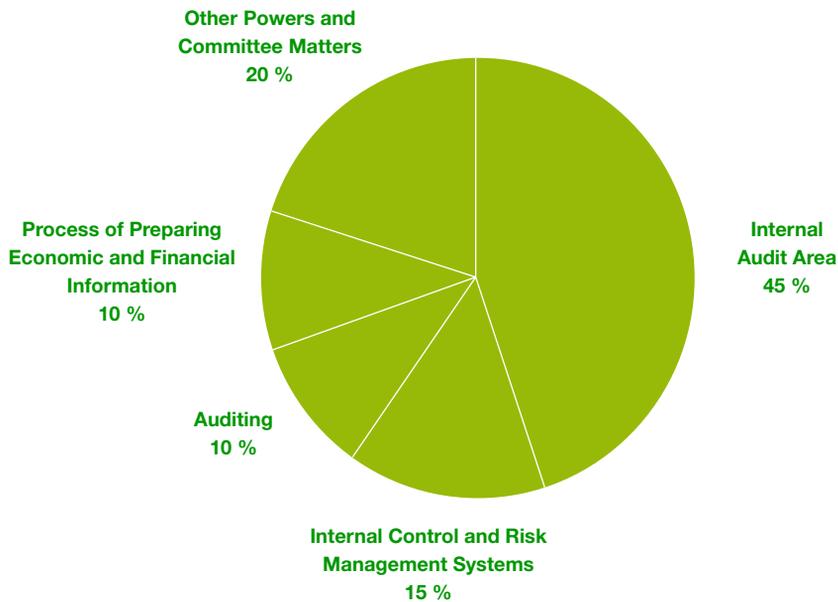
<u>Committee</u>	<u>Meetings</u>	<u>Reports/proposals to Boards of Directors</u>	<u>Appearances</u>
Audit and Risk Supervision	10	22	67
Appointments and Remuneration	14*	41	18
Corporate Social Responsibility	10	11	25

(*) Five of the meetings took the form of written proposals/reports without a meeting or of remote meetings.

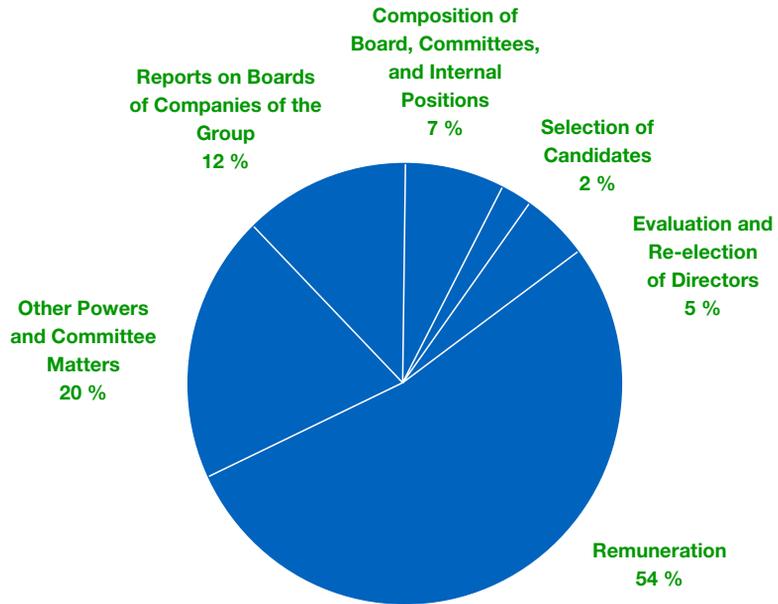
The reports and proposals to the Board of Directors prepared at the meetings of the three consultative committees during financial year 2014 are listed in section VI.

The charts below show the approximate percentage of time devoted by each committee to each area of endeavour:

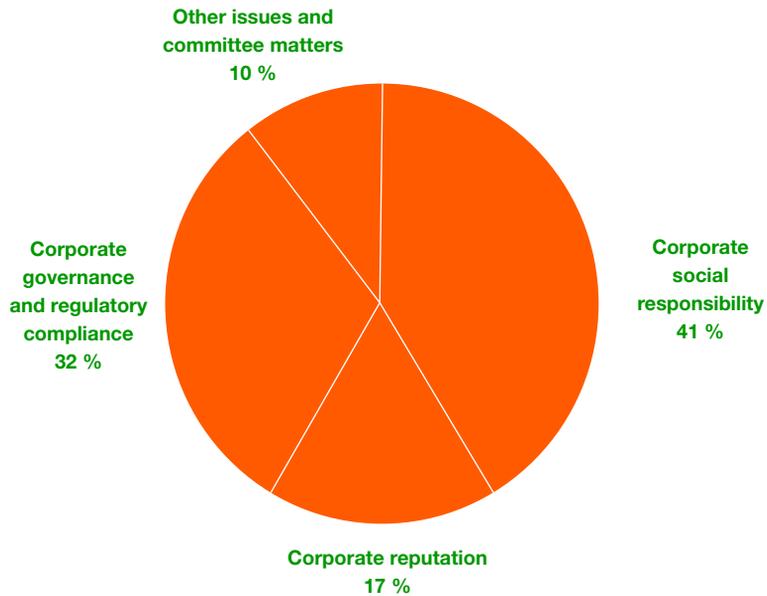
Audit and Risk Supervision Committee



Appointments and Remuneration Committee



Corporate Social Responsibility Committee



6. Reports

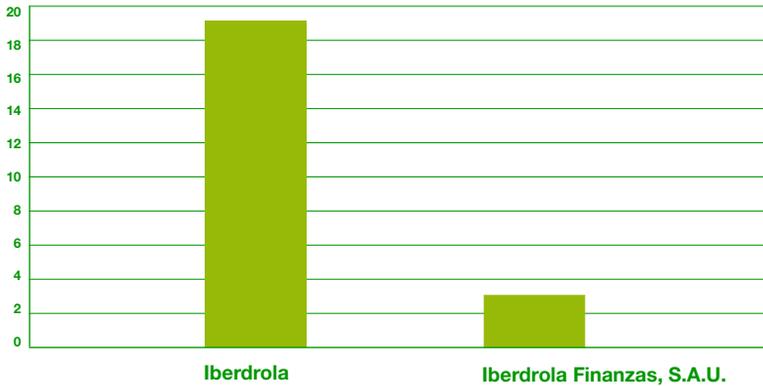
**Reports of the Audit and Risk Supervision Committee
to the Board of Directors**

The reports and proposals issued by the Audit and Risk Supervision Committee during financial year 2014 are described below.

By resolution of the Board of Directors of Iberdrola of 18 June 2013, it was agreed that the Audit and Risk Supervision Committee would exercise the powers then set forth in additional provision 18 of the *Securities Market Act* (currently in section 529 *quartedecies* of the *Companies Act*) in connection with Iberdrola Finanzas, S.A. Unipersonal.

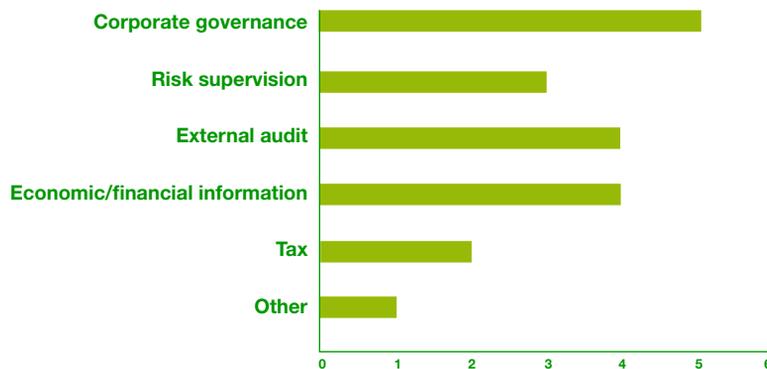
The chart below shows the reports and proposals issued by the Audit and Risk Supervision Committee, broken down according to the Board of Directors to which they are addressed:

Reports/proposals to the Boards of Directors of companies of the Iberdrola group



The following chart provides a breakdown of the various matters addressed in the reports and proposals issued by the committee for consideration or approval by the Board of Directors of Iberdrola:

Reports/Proposals to the Board of Directors of Iberdrola



As part of the reports and proposals issued, the committee submitted to the Board of Directors of Iberdrola, as the sole shareholder of Iberdrola España, S.A. Unipersonal, the proposal for the appointment of Ernst & Young, S.L. as auditor of Iberdrola España, S.A. Unipersonal.

This proposal was made before the Board of Directors of Iberdrola España, S.A. Unipersonal created its own Audit and Compliance Committee.

Shown below are the reports and proposals issued by the committee during financial year 2014 for approval by the Board of Directors of Iberdrola Finanzas, S.A. Unipersonal:

- 1. Report of the committee on the economic and financial information of Iberdrola Finanzas, S.A. Unipersonal for financial year 2013.**
- 2. Report of the committee on the independence of the auditor of Iberdrola Finanzas, S.A. Unipersonal in financial year 2013.**
- 3. Proposal of the committee for the appointment and re-election of Ernst & Young, S.L. as auditor of Iberdrola Finanzas, S.A. Unipersonal.**

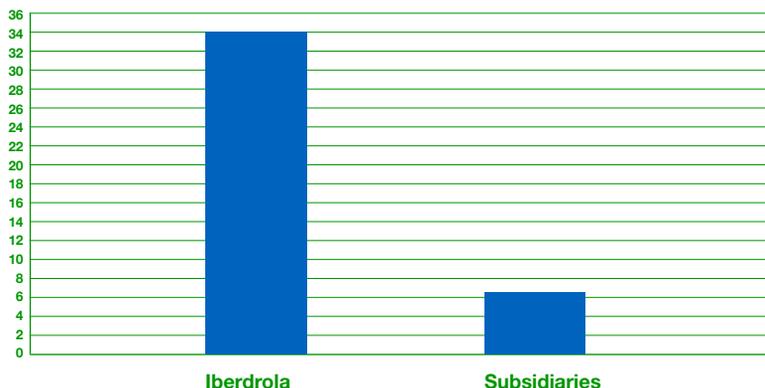
Reports of the Appointments and Remuneration Committee to the Board of Directors

The reports and proposals issued by the Appointments and Remuneration Committee during financial year 2014 are described below.

During 2014, the committee issued various reports and proposals concerning appointments, withdrawals, and remuneration of directors of subsidiaries of the Iberdrola group. This activity extended to reporting or producing Iberdrola's proposals for the appointment or removal of independent directors in both country subholding companies as well as companies within the Group and companies in which it has an interest that are not directly or indirectly owned by a country subholding company.

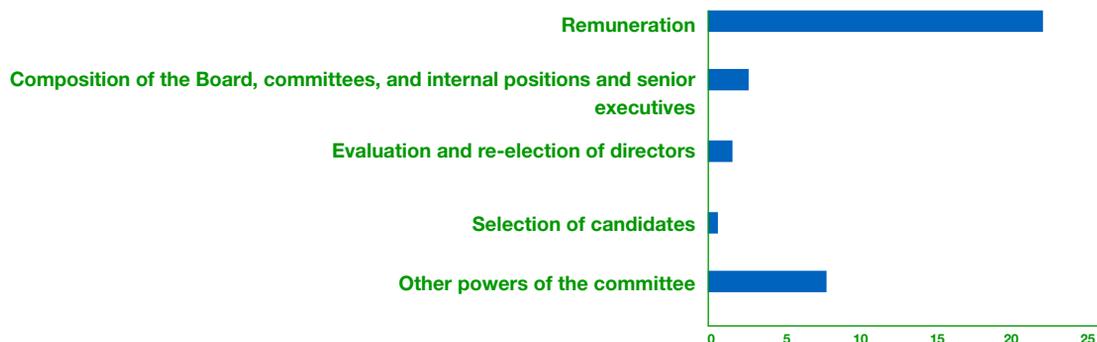
The following chart reflects the structure of the reports and proposals issued by the committee, depending on whether they refer to directors and senior officers of Iberdrola or to directors of any of the companies of the Iberdrola group:

Reports/proposals to Boards of Directors of companies of the Iberdrola group



The following chart shows the reports and proposals issued by the committee during financial year 2014 for the consideration or approval of the Board of Directors of the Company, broken down according to the content thereof.

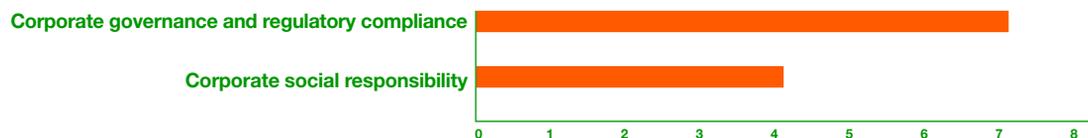
Reports/proposals to the Board of Directors of Iberdrola



**Reports of the Corporate Social Responsibility
Committee to the Board of Directors**

The following chart shows the reports and proposals issued by the committee during financial year 2014 for consideration or approval by the Board of Directors of the Company, with a breakdown according to the content thereof:

Reports/Proposals to the Board of Directors of Iberdrola, S.A.



In addition, the committee reviewed other reports that allowed it to exercise its powers effectively.

1. Review and validation of the draft budget of the Compliance Unit for financial years 2013 and 2014.
2. Review of the PwC budget for the preparation of a report on total impact.

7. ■ Appearances

Appearance of Officers and External Consultants before the Audit and Risk Supervision Committee

During financial year 2014, a very significant number of senior officers and external consultants appeared before the Audit and Risk Supervision Committee.

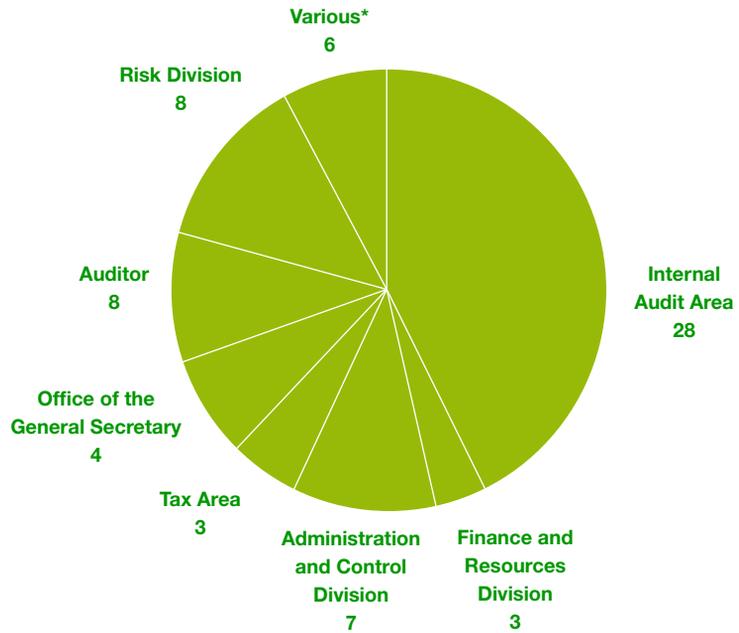
The following chart, broken down by parties appearing, shows the number of appearances at committee meetings.

As shown in the chart of appearances, most of the activities of the committee focused on matters relating to internal and external audit, risk supervision, and the process of preparation of economic and financial information.

Senior officers of various areas and departments of the Company also appeared in order to provide an overall view to the members of the committee.

Appearances at meetings of the Audit and Risk Supervision Committee

* Various includes the chair of the Board of Directors of Iberdrola Finanzas, S.A. Unipersonal, PwC as consultant, and the directors of Regulation and of Business Development, within the context of the committee's Training Plan.



Appearance of Officers and External Consultants before the Appointments and Remuneration Committee

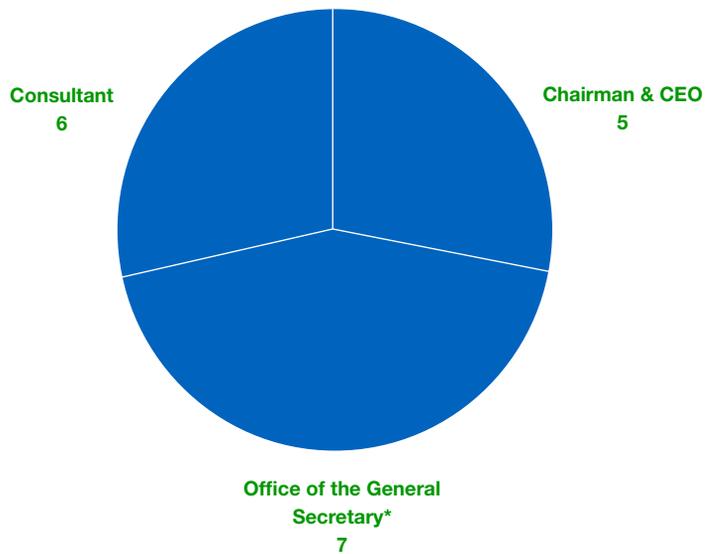
The senior officers whose duties fall within the purview of the Appointments and Remuneration Committee appeared before the committee during financial year 2014. When the presence of the appearing parties was not necessary, the Appointments and Remuneration Committee received reports as a substitute for appearance.

The following chart, broken down by parties appearing, shows the number of appearances at committee meetings.

As shown in the chart of appearances, the committee drew on the support of the Office of the General Secretary and Secretary of the Board of Directors.

Appearances at meetings of the Appointments and Remuneration Committee

* Three different members of the Office of the General Secretary have attended.



**Appearance of Officers and External
Consultants before the Corporate Social Responsibility Committee**

Many senior officers whose duties fall within the purview of the Corporate Social Responsibility Committee appeared before the committee during financial year 2014.

The following chart, broken down by parties appearing, shows the number of appearances at committee meetings.

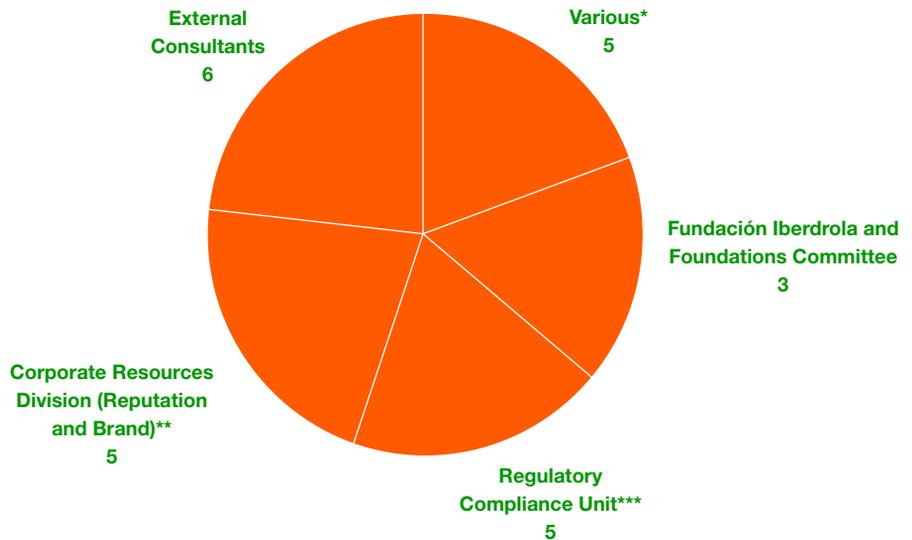
As shown in the chart of appearances, most of the activities of the committee focused on corporate reputation matters and on compliance with legal provisions and with the Corporate Governance System.

Appearances at meetings of the Corporate Social Responsibility Committee

* Various includes Office of the General Secretary, Legal Affairs, Human Resources, and Finance and Resources (Institutional Relations) Divisions.

** Two members of the Corporate Resources Division have appeared at five meetings.

*** Two members of the Compliance Unit have appeared at five meetings.



8 ■ Evaluations and main challenges of the consultative committees

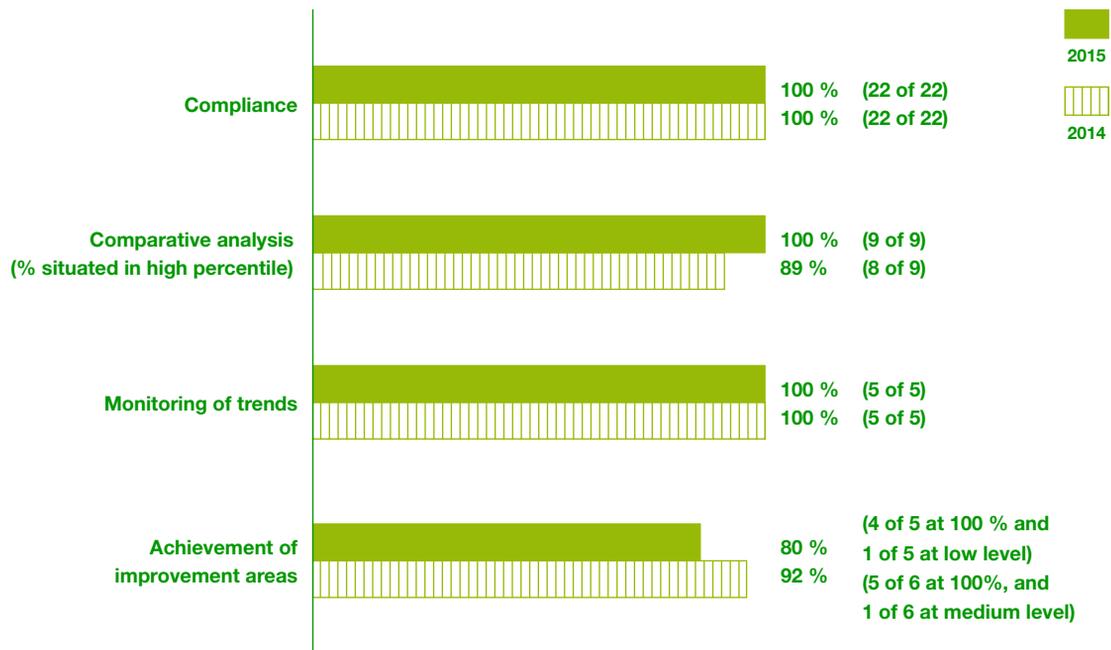
Summary of the Results of the Evaluation and Main Challenges of the Audit and Risk Supervision Committee

Below is a description of the results of the evaluation of the activities of the committee during financial year 2014 performed by PwC, as well as the main challenges identified for the next financial year.

Results of 2014 vs. 2013 Evaluation

Percentage of indicators met by dimension

Source: 2014 evaluation report on Iberdrola's Audit and Risk Supervision Committee prepared by PwC.



**The challenges identified by PwC
for financial year 2015 are the following:**

Iberdrola's Audit and Risk Supervision Committee meets all the indicators analysed in connection with the Corporate Governance System and the *Unified Good Corporate Governance Code for Listed Companies*.

Comparative analysis of the indicators applicable to the Audit and Risk Supervision Committee places this body in the highest percentile of the companies analysed for all indicators.

Iberdrola meets all the corporate governance trend-monitoring indicators analysed.

Of the areas for improvement identified in the evaluation for financial year 2013, 80% have been achieved.

**The challenges identified by PwC
for financial year 2015 are the following:**

Improve the efficiency and effectiveness of meetings.

Reduce the duration of presentations made by senior officers and external experts to the committee, to increase the time available to the committee for reflection.

Reduce the content of documents presented at the appearances, to make them more executive.

Monitor the control and management of financial risk policy more closely, in line with the new *Law 31/2014, amending the Companies Act for the reform of Corporate Governance* as regards new non-delegable powers of the Board of Directors of listed companies such as those relating to fiscal risk management policies.

Reflect on the possibility or suitability of creating a Risk Committee.

Adapt the committee's monitoring model for the matters addressed in the various audit committees of the country subholding companies to the new governance model of the group (the implementation of which has recently been completed).

Work to increase the information that is reported to the market regarding the work of the committee (for example, including a written statement by its members attesting to the work carried out, increasing the detail of the specific comparisons requested of the auditor, or including a letter from the chair of the committee in the annual reports).

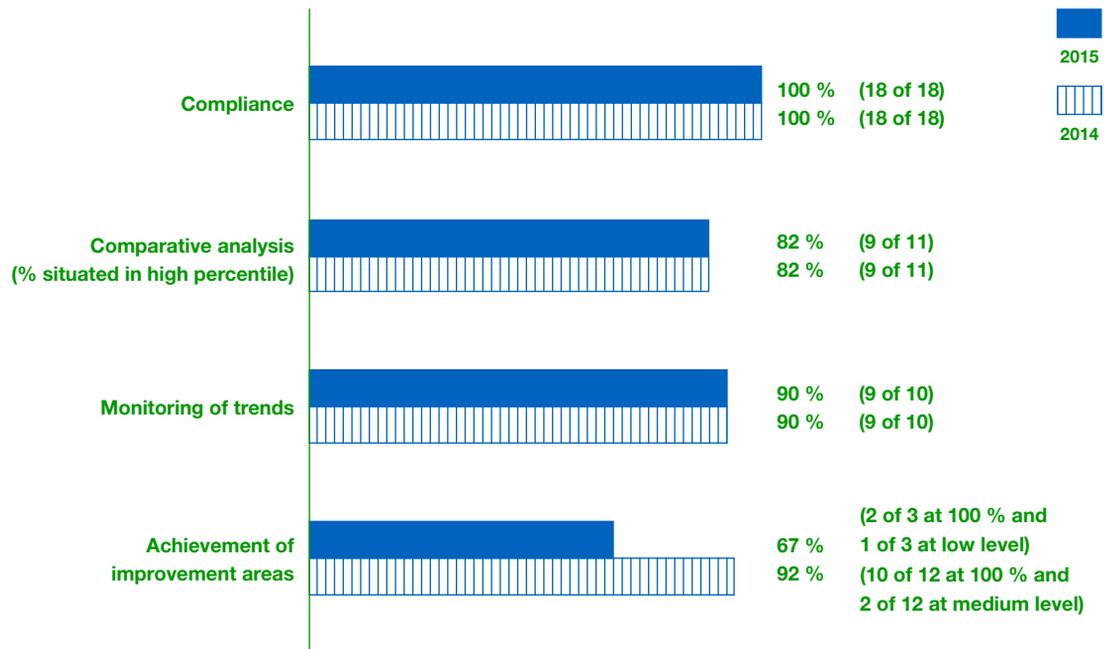
Summary of the Results of the Evaluation and Main Challenges of the Appointments and Remuneration Committee

Below is a description of the results of the evaluation of the activities of the committee during financial year 2014 performed by PwC, as well as the main challenges identified for the next financial year.

Results of 2014 vs. 2013 Evaluation

Percentage of indicators met by dimension

Source: 2014 evaluation report on Iberdrola's Appointments and Remuneration Committee prepared by PwC.



**The challenges identified by PwC
for financial year 2015 are the following:**

Iberdrola meets 100 % of the indicators in connection with compliance with the Corporate Governance System and with the *Unified Good Corporate Governance Code for Listed Companies*, matching the score obtained in the previous year.

For 82 % of the comparative analysis indicators, Iberdrola is placed in the high percentile (nine out of eleven), maintaining the level of compliance with respect to financial year 2013.

90 % of corporate governance trend-monitoring indicators evaluated (nine out of ten indicators) are met, maintaining the position of the previous financial year.

The committee has achieved 67 % of the areas identified areas for improvement in the current year while in the previous financial year it achieved compliance with 92 %, as this year there was a lower number of achievement indicators of areas for improvement.

This lower number of indicators of areas for improvement (three indicators in 2014 against twelve in 2013) is due to the performance of the committee becoming more exemplary year-on-year.

The following improvement measures
derived from the evaluation results are identified
to be considered in the short term.

In respect of its operating:

Consider to foresee the training sessions for the Appointments and Remuneration Committee since the beginning of the year.

In respect of the powers development and duties fulfilment:

Extend the justification for each one of the proposed appointments.

Contribute to develop the *Remuneration policy for directors*, for its adequacy to the new law and to the remuneration transparency trends.

Keep promoting the participation of the Appointments and Remuneration Committee in the selection of comparable companies for the consideration of the Board in its proposal of the remuneration of executive directors.

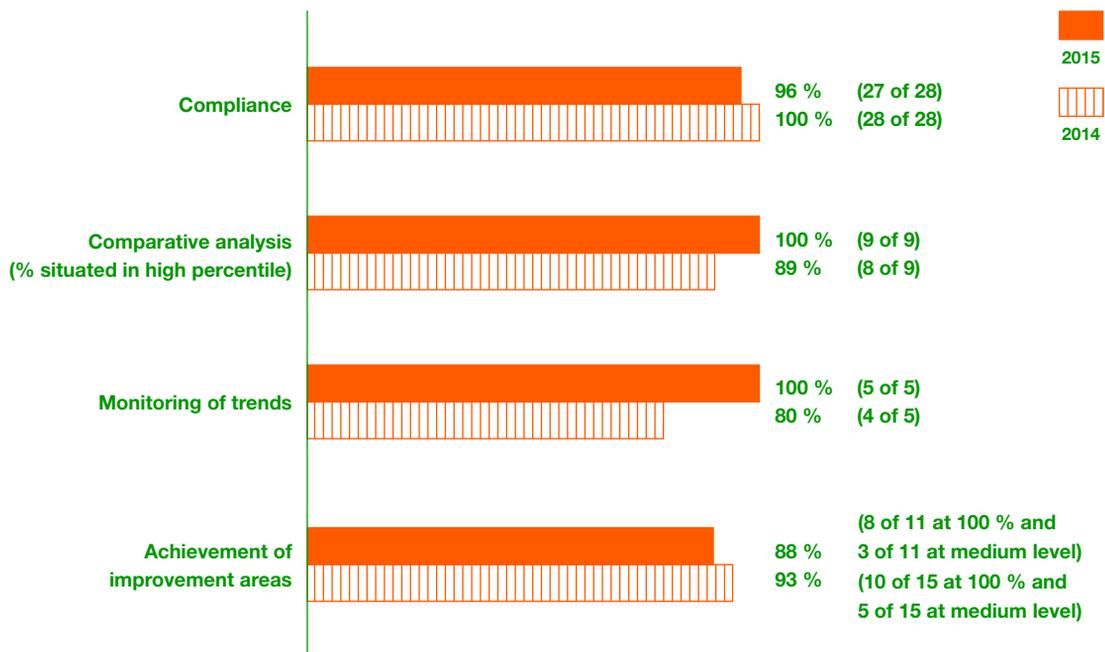
Summary of the Results of the Evaluation and Main Challenges of the Corporate Social Responsibility Committee

Below is a description of the results of the evaluation of the activities of the committee during financial year 2014 performed by PwC, as well as of the main challenges identified for the next financial year.

Results of 2014 vs. 2013 Evaluation

Percentage of indicators met by dimension

Source: 2014 evaluation report on Iberdrola's Corporate Social Responsibility Committee prepared by PwC.



**The challenges identified by PwC
for financial year 2015 are the following:**

Iberdrola's Corporate Social Responsibility Committee meets 96 % of the indicators in connection with the Corporate Governance System and with the *Unified Good Corporate Governance Code for Listed Companies*. The sole indicator that it does not meet during this financial year is the absence of directors with less than 75 % personal attendance at committees, though such absences were due to the special circumstances of the director and this was a one-off situation.

Comparative analysis of the indicators applicable to the Corporate Social Responsibility Committee places this body in the high percentile of the companies analysed in nine of the nine indicators compared.

Iberdrola meets all the corporate governance trend-monitoring indicators analysed.

More than 86 % of the areas for improvement identified in the evaluation for financial year 2013 were achieved.

**The challenges identified by PwC
for financial year 2015 are the following:**

Operation

Approve a schedule at the beginning of the financial year with the dates and agendas for the regular meetings to be held during such financial year.

Approve a schedule at the beginning of the financial year with the training sessions to be held for the committee during such financial year.

Ease the presence of directors at committee meetings and establish, if deemed appropriate, mechanisms to maintain the current minimum levels.

Exercise of powers and compliance with duties:

Promote the drafting of the Company's reputation plan (to be able to evaluate and review the plans for execution of the Company's strategy as regards corporate reputation and monitor compliance levels).

Follow the corporate governance strategy.

Continue the systematic process for involvement of stakeholders outside the group, driving various measures such as the production of an annual report on interaction with socially responsible investors.

Promote transparency in the information supplied to shareholders and stakeholders.

Promote the application of international standards by foundational institutions.

Relations with other bodies:

Continue the monitoring of relational aspects arising out of the holding structure of the group in the areas within its purview.

Prepare proposals to specify the committee's duties in more specific actions in each one of the three areas within its purview, and, if applicable, propose potential required adjustments to the group's governance model.

Promote the participation of senior officers at various levels of seniority, especially those that have not previously appeared to date.

