Annual Report of the Consultative Committees of the Board of Directors of Iberdrola, S.A.

Committee Book

2015
Annual Report of the Consultative Committees of the Board of Directors of Iberdrola, S.A.

Committee Book / 2015
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Presentation

Ignacio S. Galán
Chairman & chief executive officer

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It gives me great pleasure to present you the Annual Report of the Consultative Committees of the Board of Directors. Committee Book 2015, which contains an integrated report of the activities performed by the Audit and Risk Supervision, Appointments, Remuneration, and Corporate Social Responsibility Committees of Iberdrola, S.A. (“Iberdrola” or the “Company”) for financial year 2015.

Along the lines of the latest legal changes and the publication of the Good Governance Code of Listed Companies in February 2015, all of Iberdrola’s consultative committees are essential for a proper contractual Corporate Governance System.

In recent years, Iberdrola has been known for the desire to continually improve its Corporate Governance System, which is based on the By-Laws as a basic standard, the Corporate Policies, which contain the principles governing the conduct of the Company, the internal rules, which set the rules of operation of the corporate decision-making bodies of Iberdrola, and the other internal procedures and codes, which establishes the internal regulations relating to the industry or that further develop the above standards and rules.

The consultative committees of the Board of Directors play a crucial role in the fulfilment of the Corporate Governance System. The simple and standardised format of this report allows all the stakeholders of Iberdrola to know in detail the activities performed by the committees throughout one year.

The committees handle the matters within their purview 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. They periodically apprise 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 thus able to focus on substantive topics and hold a more informed and efficient debate on the issues raised.

I would like to thank the chairs and members of each committee for their work, dedication, and collaboration throughout this financial year. I also extend these thanks to the members of the committees who have stepped down this year. All of them have demonstrated their commitment and loyalty to the Company, its shareholders, and the other stakeholders of Iberdrola with their efforts and participation.
Letters of introduction from the Committee Chairs
Audit and Risk Supervision Committee

Georgina Kessel Martinez
Chair of the Audit and Risk Supervision Committee

Dear shareholders, investors, employees, and other stakeholders of Iberdrola,

I am pleased to present to you the section regarding the Audit and Risk Supervision Committee of the Board of Directors of Iberdrola included within the Annual Activities Report of the Consultative Committees of the Board of Directors. Committee Book 2015.

The activities of the committee during 2015 have been particularly intense, with a significant increase in the number of meetings and appearances. This increase is due mainly to the work performed by the committee relating to the procedure for appointing the auditor of the annual accounts of the Company and its consolidated group for financial years 2017 to 2019. A total of four meetings were dedicated to this topic. Likewise, the re-election of the current auditor for the fiscal year 2016 has been submitted to the Board of Directors.

On this point, I would like to highlight the thoroughness with which the process for selecting the audit firm was carried out, emphasising objectivity above all else, and the adaptation of the procedure to the European Regulation on public-interest entities and the new Spanish law on Auditing of Accounts, with the Company acting in advance of the entry into force thereof.

The activities of the committee that are more closely related to its traditional duties have been in line with the work carried out in prior years, which is why the number of meetings and appearances is similar to that of prior years after subtracting those dedicated to choosing the new auditor.

As is customary, the Audit and Risk Supervision Committee has carried out excellent work. According to the evaluation prepared with the advice of PwC¹, the committee met 100% of the indicators analysed.

However, the committee is fully aware of the challenges it will face in 2016, within a framework of increasingly stringent rules on the development of new competencies. In this regard, on my own behalf and on behalf of the other committee members, I give you our firm commitment and assure you of our dedication to meeting the challenges facing the Audit and Risk Supervision Committee with excellence.

In conclusion, I would like to extend the thanks of Iberdrola’s Audit and Risk Supervision Committee to Julio de Miguel Aynat and to Sebastián Battaner Arias, committee members until 17 February 2015.

¹ PricewaterhouseCoopers Asesores de Negocios, S.L. (“PwC”), as external facilitator.
Appointments Committee

Maria Helena Antolin Raybaud
Chair of the Appointments Committee

Dear shareholders, investors, employees, and other stakeholders of Iberdrola,

I am pleased to present to you the section regarding the Appointments Committee of the Board of Directors of Iberdrola included within the Annual Activities Report of the Consultative Committees of the Board of Directors. Committee Book 2015.

The Appointments Committee (formerly part of the Appointments and Remuneration Committee) has been rendering its services to the Company on a continuous basis since it was created in November 1997. The committee is governed by the provisions of section 529 quindecies of the Companies Act and the Iberdrola group’s Corporate Governance System.

Upon approval of the Good Governance Code of Listed Companies in February 2015, and following the provisions of recommendation 48 thereof, the Company adopted said recommendation, such that this committee and the Remuneration Committee commenced to operate independently of one another.

The separation into the Appointments Committee and the Remuneration Committee has not prevented appointments-related activities from being as or even more extensive than in prior years.

Apart from the six meetings held by the Appointments and Remuneration Committee in 2015 prior to the split and in which matters falling within the purview of the Appointments Committee were discussed, the Appointments Committee has also held eight meetings throughout the year, with very intense activity during the short period of time since its creation.

Taking into consideration the activities carried out by the now-defunct Appointments and Remuneration Committee, seventeen reports and proposals have been prepared for submission to the Company’s Board of Directors, and there have been appearances by the heads of the Company’s various divisions as well as by external consultants. The committee applied a strict efficiency policy during 2015. Two of the meetings were in writing without a session, and one of them was held without a prior call as all of the members were present and unanimously agreed to the holding thereof.

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 and appointment of directors and senior officers.
Dear shareholders, investors, employees, and other stakeholders of Iberdrola,

I am pleased to present to you the section regarding the Remuneration Committee of the Board of Directors of Iberdrola included within the Annual Activities Report of the Consultative Committees of the Board of Directors Committee Book 2015.

In 2015, the Board of Directors approved the division of the former Appointments and Remuneration Committee into two committees, the Appointments Committee and the Remuneration Committee, in accordance with the recommendation of the Good Governance Code of Listed Companies approved that year by the National Securities Market Commission.

Thus, after appropriate amendments to the Regulations of the Board of Directors and the approval of new regulations for each of said committees, the Remuneration Committee has continued performing the reporting and proposal-making duties within its purview according to the Company’s Corporate Governance System.

The Annual Report of the Consultative Committees of the Board of Directors describes the duties performed, the composition of the committee (which did not change during the year), attendance by its members, the number of meetings, the reports and proposals submitted to the Board of Directors, the percentage of dedication to each of its areas of competency, and the number of appearances of officers and outside persons at meetings of the committee.

As in prior years, the committee has paid special attention to the policies, recommendations, and most recent international trends relating to the structure of remuneration of directors and senior officers. It has also continued to apply a strict efficiency policy, on various occasions replacing in-person meetings with proposals or reports adopted in writing without a meeting or with remote meetings.

Based on the experience in 2015, I firmly believe that the division into the Appointments Committee and the Remuneration Committee has been a success and will contribute in the future to better and more efficient dedication of each committee to the matters within its purview.
Dear shareholders, investors, employees, and other stakeholders of Iberdrola,

I am pleased to present to you the section regarding the Corporate Social Responsibility Committee of the Board of Directors of Iberdrola included within the *Annual Activities Report of the Consultative Committees of the Board of Directors. Committee Book 2015*.

The Corporate Social Responsibility Committee performed its duties during 2015 in accordance with the Corporate Governance System and the orders and procedures established therein.

The chair would like to highlight the satisfaction of all members of the committee in the way that the analyses and presentations made by the internal teams of the Company have been progressing. Certainly, the areas within the purview of the committee have lesser quantitative or numeric weight than other corporate areas, for which reason the design of objective systems for analysis and evaluation is of enormous importance.

The relational elements ensuring the proper transmission of goals, aspirations, and suggestions to better advance the topics within the purview of the committee are also equally complex. The manner in which the internal teams of the Company have been improving the instruments of analysis and presentation this year has been quite noteworthy, as has been the interest shown by these internal teams in increasing the effectiveness thereof, while ensuring proper coordination in the communication process.

As a goal for 2016, apart from complying with the evaluation report prepared with the advice of PwC, the committee desires to advance the analysis of its own operations to ensure the proper promotion and monitoring of the intense activity it is carrying out in the areas of corporate governance, sustainability, and reputation. It will therefore study the ways that similar committees work at leading companies in the world and attempt to draw on and adapt the conclusions obtained.

Finally, I would like to point out that the committee will ensure appropriate monitoring of the changing external environment regarding stakeholders, compliance, innovation, and corporate social responsibility.
Regulatory framework and duties
Audit and Risk Supervision Committee

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

The 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. The rules applicable to the committee are currently contained in section 529 quaterdecies of the restated text of the Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July (the “Companies Act”), article 39 of the By-Laws, article 26 of the Regulations of the Board of Directors, and in the Regulations of the Audit and Risk Supervision Committee.

Of the powers vested therein by law and the Corporate Governance System, the committee focused primarily on the following in financial year 2015:
1. Internal audit area
Annual evaluation of the activities of the area.
Approval of annual activities plan and budget.
Monitoring of the report on the activities of the area and recommendations.

2. Internal control and risk management systems
Coordination of the Risks Division with the other areas.
Continuous review of the internal control system.
Report on the risks section of the Annual Corporate Governance Report.

3. Auditor
Proposal for re-election of the auditor and hiring terms.
Report on the independence of the auditor.
Appearances of the auditor at committee meetings.
Prior approvals for services other than auditing.
Appointment of new auditor for 2017 to 2019.

4. Process for preparing economic and financial information
Individual and consolidated annual accounts 2014, plus the reader’s guide.
Annual accounts of Iberdrola Finanzas, S.A. Unipersonal.
First and third quarter 2015 accounts of Iberdrola.
First half 2015 accounts of Iberdrola.

5. Other responsibilities and issues within the purview of the committee
Evaluation of the committee for 2014 and committee training plan.
Coordination with the Tax Division.
Monitoring of the status of special purpose entities.
Annual evaluation of the Channel of Communication with the Audit and Risk Supervision Committee.
Preparation of the portion of this Report corresponding to the committee.
Appointments Committee

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

This consultative committee, which is mandatory for listed companies since the entry into force of Law 31/2014 of 3 December amending the Companies Act for the Improvement of Corporate Governance, was created on 27 March 2015, taking up the work of the former Appointments and Remuneration Committee formed in 1997. The rules applicable to the committee are currently contained in section 529 quindecies of the Companies Act, article 40 of the By-Laws, article 27 of the Regulations of the Board of Directors, and in the Regulations of the Appointments Committee.

Of the powers vested therein by law and the Corporate Governance System, the committee focused primarily on the following in 2015¹:

¹ Taking into account the appointments-related issues handled at meetings held by the now-defunct Appointments and Remuneration Committee in 2015.
1. Powers regarding the composition of the Board of Directors and of the committees thereof and regarding the process of designation of internal positions of the Board of Directors and senior officers

Advising the Board of Directors regarding the most appropriate configuration thereof.

Verifying that the persons to be appointed to the office of director meet the requirements of respectability, capability, expertise, competence, experience, qualifications, training, availability, and commitment to their duties and that they are not affected, directly or indirectly, by any of the instances of disqualification from or prohibition against holding office or by having interests in conflict with or contrary to the corporate interest.

Issuance of reports and preparation of proposals relating to the appointment or removal of members who are to form a part of one of the committees and to hold internal positions.

Issuance of reports and preparation of proposals of the Company regarding the appointment or removal of the independent directors of the Company and of the companies within its group.

2. Powers regarding the selection of candidates for director

Ensuring that the selection procedures do not have an implied bias that might involve any discrimination.

Verification that all candidates for director of the Company meet the general requirements provided by law and the Corporate Governance System.

Evaluation of the qualifications of the various candidates and assignment thereof to one of the categories of directors contemplated in the By-Laws.

Reports on proposed appointments of directors for the designation thereof.

Request for information and documentation from candidates for the position of director.

3. Powers regarding the evaluation and re-election of directors

Establishment and supervision of the annual programme for the evaluation and ongoing review of qualifications, training, and, if appropriate, independence, as well as of the maintenance of the conditions of respectability, capability, expertise, competence, availability, and commitment to duties necessary to hold the position of director or to sit on a given committee.

4. Other responsibilities and issues within the purview of the committee

Evaluation of the committee for 2014 and committee training plan.

Preparation of the portion of this Report corresponding to the committee.
Remuneration Committee

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

This consultative committee, which is mandatory for listed companies since the entry into force of Law 31/2014 of 3 December amending the Companies Act for the Improvement of Corporate Governance, was created on 27 March 2015, taking up the work of the former Appointments and Remuneration Committee formed in 1997. The rules applicable to the committee are currently contained in section 529 quindecies of the Companies Act, article 40 of the By-Laws, article 28 of the Regulations of the Board of Directors, and in the Regulations of the Remuneration Committee.

Of the powers attributed to it by the Corporate Governance System, the committee focused primarily on the following in 20151:

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1 The issues regarding remuneration handled at meetings held by the now-defunct Appointments and Remuneration Committee in 2015 have been taken into account.
1. Director remuneration
Proposal to the Board of Directors of the policies on remuneration of the directors and senior officers and the review thereof.
Proposal to the Board of Directors of the system and amount of annual director remuneration, as well as the individual remuneration of executive directors and other basic terms and conditions of their contracts, in any event pursuant to the provisions of the Corporate Governance System and the Director Remuneration Policy approved by the shareholders at the General Shareholders’ Meeting.
Proposal to the Board of Directors of any compensation or severance payable in the event of removal, in any event pursuant to the provisions of the Corporate Governance System and the Director Remuneration Policy approved by the shareholders at the General Shareholders’ Meeting.
Preparation of a mandatory report on the remuneration established for the independent directors of other companies of the group before approval thereof by the competent corporate body.

2. Remuneration of senior officers and staff
Issuance of report and submission to the Board of Directors of the proposals of the Company’s chief executive regarding the structure of the remuneration payable to senior officers and the basic terms and conditions of their contracts.
Issuance of report on incentive plans and pension supplements for the entire workforce of the group.
Periodic review of the general remuneration programmes for the group’s workforce, evaluating the adequacy and results thereof.
Supervision of compliance with the remuneration programmes of the Company and reporting on the documents to be approved by the Board of Directors for general dissemination regarding information on remuneration, including the Annual Director Remuneration Report and the applicable sections of the Company’s Annual Corporate Governance Report.

3. Other responsibilities and issues within the purview of the committee
Evaluation of the committee for 2014 and committee training plan.
Preparation of the portion of this Report corresponding to the committee.
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. It is governed by the provisions of article 41 of the By-Laws and article 29 of the Regulations of the Board of Directors, and by the Regulations of the Corporate Social Responsibility Committee.

Of the powers vested therein by the Corporate Governance System, the committee focused primarily on the following in 2015:
1. Corporate social responsibility
Knowing, fostering, guiding, and supervising the activities of the Company regarding corporate social responsibility, sustainability, innovation, employment, satisfaction, and diversity.
Review of the Social Responsibility Policies, proposing the amendment thereof, and evaluation of the plans in implementation thereof.
Evaluation of regulatory and legal developments, as well as existing voluntary initiatives in this area and the possible effects thereof on the activities of the group.
Issuance of the report on the Annual Sustainability Report.
Reporting on the implementation by entities in the nature of foundations related to the group of the activities that have been entrusted thereto.
Analysis of voluntary initiatives and documents with recommendations concerning corporate social responsibility that appear in the market.
Analysis of the expectations of stakeholders, endeavouring to ensure that they are taken into account in formulating the Social Responsibility Policies, and supervising and assessing the application of the Stakeholder Relations Policy.

2. Corporate reputation
Knowing, promoting, guiding, and supervising the activities of the Company regarding corporate reputation and reporting thereon to the Board of Directors.
Issuance of reports on the activities in the area of corporate reputation carried out by entities in the nature of foundations related to the Iberdrola group.
Reviewing the plans for implementation of the Company’s corporate reputation strategy and monitoring the level of compliance therewith.

3. Corporate governance and regulatory compliance
Periodic review of the Corporate Governance System, with special emphasis on the Corporate Governance and Regulatory Compliance Policies, and proposals to the Board of Directors, for the approval thereof or for submission to the shareholders at a General Shareholders’ Meeting, of such amendments and updates as may contribute to the development and ongoing improvement thereof.
Supervision of compliance with legal requirements and with the rules and regulations of the Corporate Governance System.
Issuance of report on the Company’s Annual Corporate Governance Report prior to approval thereof.
Issuance of reports regarding the annual report on compliance with legal provisions on the separation of regulated activities within the group.
Reporting on proposed amendments of the Code of Ethics.
Receiving information from the Compliance Unit regarding proposed amendments of the Code of Ethics and regarding any significant issue in connection with promoting awareness of and compliance with the Code of Ethics.
Use of the Compliance Unit to review the Company’s internal policies and procedures.
Review and validation of the annual operating budget of the Compliance Unit and its annual activities plan.

4. Other responsibilities and issues within the purview of the committee
Evaluation of the committee for 2014 and committee training plan.
Preparation of the portion of this Report corresponding to the committee.
3.
Composition and attendance at meetings
Audit and Risk Supervision Committee
In the picture, from left to right: Mr Rafael Sebastián Quetglas, Ms Georgina Kessel Martínez, Ms Denise Mary Holt, and Mr José W. Fernández.

© Rafael Sámano
The table below shows the composition of the Audit and Risk Supervision Committee as of 31 December 2015.

<table>
<thead>
<tr>
<th>Position</th>
<th>Director</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>Georgina Kessel Martínez</td>
<td>Non-executive independent</td>
</tr>
<tr>
<td>Member</td>
<td>Denise Mary Holt</td>
<td>Non-executive independent</td>
</tr>
<tr>
<td>Member</td>
<td>José W. Fernández</td>
<td>Non-executive independent</td>
</tr>
</tbody>
</table>

Rafael Sebastián Quetglas is the secretary of this committee.

Julio de Miguel Aynat and Sebastián Battaner Arias submitted their resignation as directors of the Company, and thus as chair and member, respectively, of the Audit and Risk Supervision Committee, on 17 February 2015.

Iberdrola’s Board of Directors appointed Georgina Kessel Martínez as chair of the committee to replace Julio de Miguel Aynat.

At a meeting held on 17 February 2015, the Company’s Board of Directors appointed José W. Fernández on an interim basis as an independent director of the Company as well as a member of the Audit and Risk Supervision Committee, to replace Sebastián Battaner Arias.

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

The amounts received by the members of the committee for the performance of their duties can be found in the *Annual Director Remuneration Report*, which is available on Iberdrola’s website (www.iberdrola.com).
Shown below is the level of attendance of each of the members of the committee in 2015.

In those cases in which directors could not personally attend meetings, they gave their proxy to the chair of the committee.

These meetings included one in writing and without a session on 16 January 2015, in which all of the committee members participated.
Appointments Committee
In the picture, from left to right, Ms María Helena Antolín Raybaud, Mr Ángel Jesús Acebes Paniagua, Mr Iñigo Gómez-Jordana Moya, and Mr Iñigo Víctor de Oriol Ibarra.

© José Ramón Ladra
The following table shows the composition of the Appointments Committee as of 31 December 2015.

<table>
<thead>
<tr>
<th>Position</th>
<th>Director</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>María Helena Antolín Raybaud</td>
<td>Non-executive independent</td>
</tr>
<tr>
<td>Member</td>
<td>Iñigo Víctor de Oriol Ibarra</td>
<td>Non-executive other external</td>
</tr>
<tr>
<td>Member</td>
<td>Ángel Jesús Acebes Paniagua</td>
<td>Non-executive independent</td>
</tr>
</tbody>
</table>

Iñigo Gómez-Jordana Moya is the secretary of this committee.

Iñigo Víctor de Oriol Ibarra was a member of the now-defunct Appointments and Remuneration Committee, together with Inés Macho Stadler and Santiago Martínez Lage.

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

The amounts received by the members of the committee for the performance of their duties can be found in the *Annual Director Remuneration Report*, which is available on Iberdrola’s website (www.iberdrola.com).
shown below is the level of attendance of each of the members of the committee in 2015.

The first meeting of the Appointments Committee was held on 27 April 2015.

The meetings held on 16 June and 30 September 2015 were held in writing and without a session, in which all of the committee members participated.

The meetings held by the now-defunct Appointments and Remuneration Committee in 2015 have not been taken into account.

Mr Inigo Victor de Oriol Ibarra, as a member of the now-defunct Appointments and Remuneration Committee, also attended the four meetings of said committee held in 2015, before the division thereof. Said committee also held two meetings in writing and without a session.
Remuneration Committee
In the picture, from left to right, Mr Iñigo Víctor de Oriol Ibarra, Ms Inés Macho Stadler, Mr Santiago Martínez Lage, and behind them Mr Rafael Mateu de Ros Cerezo.

© Rafael Sámano
The following table shows the composition of the Remuneration Committee as of 31 December 2015.

<table>
<thead>
<tr>
<th>Position</th>
<th>Director</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>Inés Macho Stadler</td>
<td>Non-executive independent</td>
</tr>
<tr>
<td>Member</td>
<td>Iñigo Víctor de Oriol Ibarra</td>
<td>Non-executive other external</td>
</tr>
<tr>
<td>Member</td>
<td>Santiago Martínez Lage</td>
<td>Non-executive independent</td>
</tr>
</tbody>
</table>

Rafael Mateu de Ros Cerezo is the secretary of this committee.

All of them held the same positions in the now-defunct Appointments and Remuneration Committee.

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

The amounts received by the members of the committee for the performance of their duties can be found in the Annual Director Remuneration Report, which is available on Iberdrola’s website (www.iberdrola.com).
The first meeting of the Remuneration Committee was held on 16 April 2015.

The six meetings held by the now-defunct Appointments and Remuneration Committee in 2015, dealing with matters now within the purview of the Remuneration Committee, have been taken into account.

Of all of the meetings indicated above, those held on 3 March and 18 March 2015 were meetings in writing and without a session of the now-defunct Appointments and Remuneration Committee.
Corporate Social Responsibility Committee
In the picture, from left to right, Mr Fernando Bautista Sagüés, Ms Samantha Barber, Mr Braulio Medel Cámara, and Mr Manuel Moreu Munaiz.

© Rafael Sámano
The table below shows the composition of the Corporate Social Responsibility Committee as of 31 December 2015.

<table>
<thead>
<tr>
<th>Position</th>
<th>Director</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair</td>
<td>Samantha Barber</td>
<td>Non-executive independent</td>
</tr>
<tr>
<td>Member</td>
<td>Braulio Medel Cámara</td>
<td>Non-executive independent</td>
</tr>
<tr>
<td>Member</td>
<td>Manuel Moreu Munaiz</td>
<td>Non-executive other external</td>
</tr>
</tbody>
</table>

Fernando Bautista Sagüés is the secretary of this committee.

Manuel Moreu Munaiz was appointed as a member of the committee on 25 March 2015 to replace María Helena Antolín Raybaud, who thus held office until such date.

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

The amounts received by the members of the committee for the performance of their duties can be found in the Annual Director Remuneration Report, which is available on Iberdrola’s website (www.iberdrola.com).
Shown below is the level of attendance of each of the members of the committee in 2015.

These meetings included one in writing and without a session on 16 October 2015, in which all of the committee members participated.
4.
Operation
Pursuant to article 12 of the Regulations of the Audit and Risk Supervision Committee, article 11 of the Regulations of the Appointments Committee, article 7 of the Regulations of the Remuneration Committee, and article 10 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 when so requested by a minimum of 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 2015.

<table>
<thead>
<tr>
<th>Committee</th>
<th>Meetings</th>
<th>Reports and proposals to the Board of Directors</th>
<th>Appearances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit and Risk Supervision</td>
<td>15</td>
<td>19</td>
<td>80</td>
</tr>
<tr>
<td>Appointments*</td>
<td>14</td>
<td>17</td>
<td>5</td>
</tr>
<tr>
<td>Remuneration*</td>
<td>10</td>
<td>18</td>
<td>11</td>
</tr>
<tr>
<td>Corporate Social Responsibility</td>
<td>7</td>
<td>11</td>
<td>5</td>
</tr>
</tbody>
</table>

* Includes the activities of the now-defunct Appointments and Remuneration Committee on matters within the purview of each committee.

The reports and proposals to the Board of Directors prepared at the meetings of the four consultative committees during 2015 are listed in the “Reports” section.
Time dedicated to each area

Set forth below is a graphical representation of the approximate percentage of time devoted by each committee to its respective purview:

Audit and Risk Supervision Committee

- Process of preparing economic and financial information: 15%
- Auditing: 10%
- Risk control and management system: 15%
- Other responsibilities and issues within the purview of the committee: 30%

Internal Audit Area: 20%

Appointments Committee

- Composition of the Board of Directors and of its committees and process of designation of positions: 22%
- Evaluation and re-election of directors: 28%
- Selection of candidates for director: 6%
- Other responsibilities and issues within the purview of the committee: 44%

4 The issues within the purview of the Appointments Committee that were handled at meetings of the now-defunct Appointments and Remuneration Committee have been taken into consideration for the calculation of the percentages.
The issues within the purview of the Remuneration Committee that were handled at meetings of the now-defunct Appointments and Remuneration Committee have been taken into consideration for the calculation of the percentages.

**Remuneration Committee**

- Incentive plans and pension supplements for the group’s workforce: 20%
- Remuneration of senior officers and basic terms and conditions of their contracts: 15%
- Remuneration for independent directors of other companies of the group: 10%
- General remuneration programmes for the group’s workforce, evaluating the adequacy and results thereof: 5%
- Corporate governance: 5%
- Remuneration policy: 5%
- Remuneration of directors: system and amount: 40%

**Corporate Social Responsibility Committee**

- Corporate social responsibility: 24%
- Corporate governance and regulatory compliance: 40%
- Other matters and issues within the purview of the committee: 15%
- Corporate reputation: 21%

*5 The issues within the purview of the Remuneration Committee that were handled at meetings of the now-defunct Appointments and Remuneration Committee have been taken into consideration for the calculation of the percentages.*
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 2015 are described below.

By resolution of the Board of Directors of Iberdrola of 18 June 2013, it was decided 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 quaterdecies of the Companies Act) in connection with Iberdrola Finanzas, S.A. Unipersonal. However, and solely for information purposes, it is noted that Iberdrola’s Board of Directors has resolved to formally relieve the committee of these duties as of 15 December 2015 due to the repayment of all notes issued by this company.

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 and proposals to Boards of Directors**
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 and proposals of the Audit and Risk Supervision Committee**

![Chart](chart.png)

The reports and proposals issued this year include the report of the Audit and Risk Supervision Committee to Iberdrola’s Board of Directors regarding its proposed candidates for auditor of the annual accounts of Iberdrola and its consolidated group for financial years 2017 to 2019, as well as its recommended candidate.

Shown below are the reports and proposals issued by the committee during 2015 for approval by the Board of Directors of Iberdrola Finanzas, S.A. Unipersonal:

3. Proposal of the committee for the re-election of Ernst & Young, S.L. as auditor of Iberdrola Finanzas, S.A. Unipersonal.
Reports of the Appointments Committee to the Board of Directors

The reports and proposals issued by the Appointments Committee during 2015 are described below.

During 2015, the committee issued various reports and proposals concerning appointments and removals of directors of subsidiaries of the Iberdrola group. This activity consisted of reporting on or producing Iberdrola’s proposals for the appointment or removal of independent directors in 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 and proposals to Boards of Directors
The following chart shows the reports and proposals issued by the committee during 2015 for consideration or approval by the Board of Directors of the Company, broken down according to the content thereof.

### Reports and proposals of the Appointments Committee

- Other responsibilities and issues within the purview of the committee
- Composition of the Board of Directors and of its committees and process of designation of positions
- Evaluation and re-election of directors
- Selection of candidates for director

The proposals and reports relating to matters within the purview of the Appointments Committee issued by the now-defunct Appointments and Remuneration Committee have been taken into consideration.
Reports of the Remuneration Committee to the Board of Directors

The reports and proposals issued by the Remuneration Committee during 2015 are described below, among which are reports and proposals concerning remuneration of directors of subsidiaries of the Iberdrola group.

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 and proposals to Boards of Directors**
The following chart shows the reports and proposals issued by the committee during 2015 for consideration or approval by the Board of Directors of the Company, broken down according to the content thereof.

Reports and proposals of the Remuneration Committee

- Corporate governance
- Incentive plans and pension supplements for the group’s workforce
- Remuneration of senior officers and basic terms and conditions of their contracts
- Remuneration for independent directors of other companies of the group
- Remuneration of directors: system and amount
- Remuneration policy

The proposals and reports relating to matters within the purview of the Remuneration Committee issued by the now-defunct Appointments and Remuneration Committee have been taken into consideration.
Reports of the Corporate Social Responsibility Committee to the Board of Directors

The reports and proposals issued by the Corporate Social Responsibility Committee during 2015 are described below, concerning the matters within its purview.
The following chart shows the reports and proposals issued by the committee during 2015 for consideration or approval by the Board of Directors of the Company, with a breakdown according to the content thereof:

**Reports and proposals of the Corporate Social Responsibility Committee**

- Other matters and issues within the purview of the committee
- Corporate governance and regulatory compliance
- Corporate reputation
- Corporate social responsibility

![Bar chart showing the distribution of reports and proposals by category.](chart.png)
Appearances
Appearance of Officers and External Consultants before the Audit and Risk Supervision Committee
A very significant number of senior officers and external consultants of the group appeared before the Audit and Risk Supervision Committee during 2015.

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. This year includes the appearance of representatives of firms that were candidates for being the auditor of the Company and its consolidated group for financial years 2017, 2018, and 2019.

Also noteworthy is the high number of appearances of the Internal Audit Area team attending the meetings of the committee on a customary basis, which is included within the powers of said area to support the committee for the proper exercise of its powers and as a channel of communication between the Audit and Risk Supervision Committee and the organisation.

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.
Appearance of Officers and External Consultants before the Appointments Committee
The following chart, broken down by parties appearing, shows the number of appearances at committee meetings:

Office of the General Secretary: 1
External consultants: 4

As one could observe, the Appointments Committee following the faculties attributed to it by the Corporate Governance System, has requested advice from external consultants in relation to certain of its powers.
Appearance of Officers and External Consultants before the Remuneration Committee
The senior officers whose duties fall within the purview of the Remuneration Committee appeared before the committee during 2015. When the presence of the appearing parties was not necessary, the Remuneration Committee received reports as a substitute for appearance.

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.
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 2015.

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.
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 2015 performed with the advice of PwC as external facilitator, as well as the main challenges identified for the coming year.

Set forth below is a table summarising the results of the evaluation of the Audit and Risk Supervision Committee, which this year meets 100% of the indicators in the four areas analysed: (i) compliance with the Corporate Governance System and the Good Governance Code of Listed Companies; (ii) comparative analysis with other companies; (iii) monitoring of future corporate governance trends; and (iv) achievement in the areas for improvement defined during the prior year, which on this point improved from 80% to 100% over the prior year.

As all of its legal powers have been transferred to the Corporate Governance System, the Audit and Risk Supervision Committee also complied with the legal provisions applicable thereto in 2015.

Results of 2015 vs. 2014 of the Audit and Risk Supervision Committee
Percentage of indicators met by area

<table>
<thead>
<tr>
<th>Compliance</th>
<th>2015: 100% (26 of 26)</th>
<th>2014: 100% (22 of 22)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparative analysis (%) in the highest percentile</td>
<td>2015: 100% (9 of 9)</td>
<td>2014: 100% (9 of 9)</td>
</tr>
<tr>
<td>Trend monitoring</td>
<td>2015: 100% (4 of 4)</td>
<td>2014: 100% (5 of 5)</td>
</tr>
<tr>
<td>Achievement in the areas for improvement</td>
<td>2015: 100% (6 of 6 achieved in full)</td>
<td>2014: 80% (4 of 5 achieved in full)</td>
</tr>
</tbody>
</table>

Source: Evaluation report of the Audit and Risk Supervision Committee prepared with the advice of PwC as external facilitator.
The proposed improvement measures for 2016 are the following:

In respect of operation:

- Consider expanding the specific training and information plan of the committee with a series of documents that would be included on the directors’ website, in line with the training and information plan of the Board of Directors.
- Continue adjusting the initial orientation programmes for directors, with specific content for the members of the Audit and Risk Supervision Committee.

In respect of exercising powers and fulfilling duties:

- Contribute to the latest recommendations on transparency, submitting to the Board the annual report on independence of the auditors for publication prior to the General Shareholders’ Meeting. In this regard, the committee noted that the foregoing is expected to be achieved during 2016.
- Receive the training necessary to perform an expanded assessment of the effectiveness of the auditor, in line with the latest international recommendations.
- Ensure that the external auditor holds a meeting with the full Board to report thereto on the work performed and the accounting and risk status of the Company. In this regard, the committee noted that the foregoing is expected to be achieved during 2016.

In respect of relations with other bodies:

- Prepare a letter of the chair of the committee to be published in the committee’s activities report. In this regard, the committee noted that the foregoing was expected to be achieved during 2016, as shown at the beginning of this Report where the letter from the chair appears.
Summary of the Results of the Evaluation and Main Challenges of the Appointments Committee

Below is a description of the results of the evaluation of the activities of the committee during 2015 performed with the advice of PwC as external facilitator, as well as the main challenges identified for the coming year.

Set forth below is a table summarising the results of the evaluation of the Appointments Committee, which meets 100% of the indicators in the areas of compliance, monitoring of trends, and achievement in the areas for improvement, and an alignment above 75% in those of the comparative analysis.

Results of the Appointments Committee 2015

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage of Indicators Met</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>100% (20 of 20)</td>
<td></td>
</tr>
<tr>
<td>Comparative analysis (% in the highest percentile)</td>
<td>75% (6 of 8)</td>
<td></td>
</tr>
<tr>
<td>Trend monitoring</td>
<td>100% (5 of 5)</td>
<td></td>
</tr>
<tr>
<td>Achievement in the areas for improvement</td>
<td>100% (2 of 2)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Evaluation report of the Appointments Committee prepared with the advice of PwC as external facilitator.
The proposed improvement measures for 2016 are the following:

In respect of operation:

• Consider expanding the specific training and information plan of the committee with a series of documents that would be included on the directors’ website, in line with the training and information plan of the Board of Directors.

In respect of exercising powers:

• Continue progressing in transparency, encouraging the publication of information regarding the director selection process.
• Continue in the forefront of practices to renew the Board of Directors in line with the latest trends, such as the use of planning matrices for renewing the Board of Directors.
• Continue progress on aligning with best practices in terms of composition of this committee, as well as of the Remuneration Committee and the Corporate Social Responsibility Committee (to the extent possible, given the difficulty of progress due to the size thereof).

In respect of relations with other bodies:

• Prepare a letter of the chair of the committee to be published in the committee’s activities report, which is already deemed to be complied with in this Report where the letter from the chair is included.
Summary of the Results of the Evaluation and Main Challenges of the Remuneration Committee

Below is a description of the results of the evaluation of the activities of the committee during 2015 performed with the advice of PwC as external facilitator, as well as the main challenges identified for the coming year.

Set forth below is a table summarising the results of the evaluation of the Remuneration Committee, which reflects an alignment of more than 95% in compliance indicators and more than 73% in the other dimensions analysed: (i) comparative analysis with other companies; (ii) monitoring of future corporate governance trends; and (iii) achievement in the areas for improvement defined during the prior year.

It should be taken into account that some of the objectives identified in the evaluation do not depend on the initiative of the Remuneration Committee. It is of a consultative nature and resolutions in respect of its composition depend on the Board of Directors following the proposal by the Appointments Committee.

Results of the Remuneration Committee 2015

<table>
<thead>
<tr>
<th>Percentage of indicators met by area</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>95% (20 of 21)</td>
</tr>
<tr>
<td>Comparative analysis (% in the highest percentile)</td>
<td>73% (8 of 11)</td>
</tr>
<tr>
<td>Trend monitoring</td>
<td>100% (4 of 4)</td>
</tr>
<tr>
<td>Achievement in the areas for improvement</td>
<td>83% (2 of 3 achieved in full, 1 of 3 to a medium level)</td>
</tr>
</tbody>
</table>

Source: Evaluation report of the Remuneration Committee prepared with the advice of PwC as external facilitator.
The proposed improvement measures for 2016 are the following:

In respect of composition:

• Continue progress on aligning with best practices in terms of composition of the committee (to the extent possible).

In respect of operation:

• Consider expanding the specific training and information plan of the committee with a series of documents that would be included on the directors’ website, in line with the training and information plan of the Board of Directors.

In respect of exercising powers and fulfilling duties:

• Consider the proposal for approval of the Director Remuneration Policy to be voted on as a separate item on the agenda for the General Shareholders’ Meeting, if appropriate.

• Continue progress on remuneration transparency, encouraging an expansion of the information published in the Annual Director Remuneration Report.

• Consider the convenience of requesting again specific remuneration reports benchmarked to other comparables companies with respect to various parameters, including amount.

• Consider the possibility to continue progress on remuneration matters as regards clauses on the recovery of variable remuneration, in line with market recommendations.

In respect of relations with other bodies:

• Prepare a letter of the chair of the committee to be published in the committee’s activities report, which is already deemed to be complied with in this Report where the letter from the chair is included.
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 2015 performed with the advice of PwC as external facilitator, as well as the main challenges identified for the coming year.

Set forth below is a table summarising the results of the evaluation of the Corporate Social Responsibility Committee, which reflects an alignment of 100% in compliance indicators and more than 78% in the other dimensions analysed: (i) comparative analysis, 78% alignment; (ii) monitoring trends, 100% alignment; and (iii) achievement in the areas for improvement, 95% alignment.

Results of the Corporate Social Responsibility Committee 2015 vs. 2014

<table>
<thead>
<tr>
<th>Percentage of indicators met by area</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance</td>
<td>100%</td>
<td>96%</td>
</tr>
<tr>
<td>Comparative analysis (% in the highest percentile)</td>
<td>78%</td>
<td>100%</td>
</tr>
<tr>
<td>Trend monitoring</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Achievement in the areas for improvement</td>
<td>95%</td>
<td>86%</td>
</tr>
</tbody>
</table>

Source: Evaluation report of the Corporate Social Responsibility Committee prepared with the advice of PwC as external facilitator.
The proposed improvement measures for 2016 are the following:

In respect of composition:
- Continue progress on aligning with best practices in terms of composition of the committee (to the extent possible, given the difficulty of progress due to the size thereof).

In respect of operation:
- Consider expanding the specific training and information plan of the committee with a series of documents that would be included on the directors’ website, in line with the training and information plan of the Board of Directors.

In respect of exercising powers and fulfilling duties:
- Contribute advice for the establishment of practices within the Board of Directors that are in accordance with the Company’s culture and values, and foster the transmission of these values, receiving both internal and external training for this purpose.
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In respect of relations with other bodies:
- Prepare a letter of the chair of the committee to be published in the committee’s activities report, which is already deemed to be complied with in this Report where the letter from the chair is included.
- Continue with transparency in the engagement of stakeholders, considering the publication of an annual investor interaction report.
- Continue the systematic process for involvement of stakeholders, considering the organisation of a roadshow with various players, including socially responsible investors, and the holding of a sustainability day.