



Activities Report of the Board of Directors and of the Committees thereof / 2016

Torre Iberdrola, Bilbao
/ España
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Activities Report of the Board of Directors and of the Committees thereof / 2016

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Ignacio S. Galán
Chairman & CEO

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Presentation

“The disclosure of this Report, which clearly and systematically describes the activities of the Board and which Iberdrola publishes for the first time, is one more example of the company’s efforts to maintain its leadership in the application of best international practices in transparency and corporate governance.”



Iberdrola is a leader in corporate governance. This position is the result of the ongoing efforts of its Board of Directors to identify and adopt best international practices, especially in the field of transparency.

This new *Activities Report of the Board of Directors and of the Committees thereof* is one more step along this continuous process.

Iberdrola has been publishing a great deal of information regarding the composition and activities of its management decision-making body on its corporate website, in the *Annual Corporate Governance Report*, and in the *Shareholder's Guide*, among other sources. However, the various bits of information were presented in a way such that they appeared to be disconnected from each other.

Our commitment to transparency, which is the cornerstone of the *Mission, Vision, and Values of the Iberdrola group*, required one more step forward: presenting the information in an integrated and systematised manner. The result is this Report.

You will be able to find here the most significant data regarding diversity in terms of experience, training, origin, nationality, and gender of its directors, as well as regarding their independence.

You will also be able to identify the main officers who participate in the strategic coordination of the group.

As regards the activities carried out, this Report sets forth the schedule of meetings of the Board and of the committees thereof and provides a brief description of those activities that have received special attention.

The Board has focused its efforts on defining the group's strategy and on monitoring its implementation.

As regards the strategy, and among other significant milestones, the Board has approved the strategic guidelines and the economic and financial projections that will

guide the group's activities during the 2016-2020 period, as well as the formalisation of the Company's commitment to the *Mission, Vision, and Values of the Iberdrola group*, as the set of rules that govern its day-to-day activities and channel its quest for leadership in all of its areas of action.

Also in the field of strategic definition, the Board has approved significant updates to the Corporate Governance System, such as a reform of its social responsibility policies calculated to firmly establish the group's commitment to the United Nations Sustainable Development Goals.

In addition, the Board has supervised the group's performance and the implementation of the defined strategy on a regular and periodic basis. In fulfilling this task, it has paid special attention to the monitoring of its key financial indicators, to the analysis and control of risks, to the effective implementation of the Corporate Governance System at all of the group companies, to the impact of its activities on social responsibility and sustainability, and to the alignment of director and senior officer remuneration with the Company's objectives.

In this Report you will also find the most significant activities carried out during the financial year by the various committees, whose specialised work has been indispensable for the Board to be able to appropriately discharge its duties.

I would like to close this presentation by thanking the directors and all the professionals at Iberdrola for their work, dedication, and cooperation throughout this financial year. It is a true honour to work with all of them in the construction of the project we call Iberdrola. With their dedication and engagement, they have all demonstrated their commitment and loyalty to the Company, its shareholders, and the other stakeholders.

Ignacio Galán
Chairman of the Board of Directors

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Corporate and Governance Structure

Iberdrola is configured as a listed holding company and is the controlling entity of a multinational group of companies.

The group's corporate and governance structure distinguishes between supervision and control duties, on the one hand, and day-to-day and effective management duties, on the other.

Iberdrola, S.A. (holding company)

The Board of Directors is vested with powers regarding approval of the strategic goals of the group and the definition of its organisational model. It is made up of a large majority of independent directors, one of whom holds the position of lead independent director (*consejera coordinadora*), whose powers are significantly strengthened by the *By-Laws*, beyond those required by law, and who serves as an effective counterbalance to the chairman, ensuring that the activities thereof are subject to proper controls.

The Board of Directors has an Executive Committee, which supports the Board of Directors in the supervision of compliance with the strategic goals of the group and the development of its organisational model, as well as four specialised consultative committees, all of which are made up of non-executive directors.

The chairman & chief executive officer, the Business CEO (*director general*) appointed by the Board of Directors, with overall responsibility for all the businesses of the group, and the rest of the management team, assume the duty of organisation and strategic coordination of the group.

Country Subholding Companies

They strengthen the functions of organisation and strategic coordination in those countries where Iberdrola's Board of Directors has so decided. These entities group together equity stakes in the head of business companies carrying out their activities within the relevant country. They have boards of directors that include independent directors and their own audit committees.

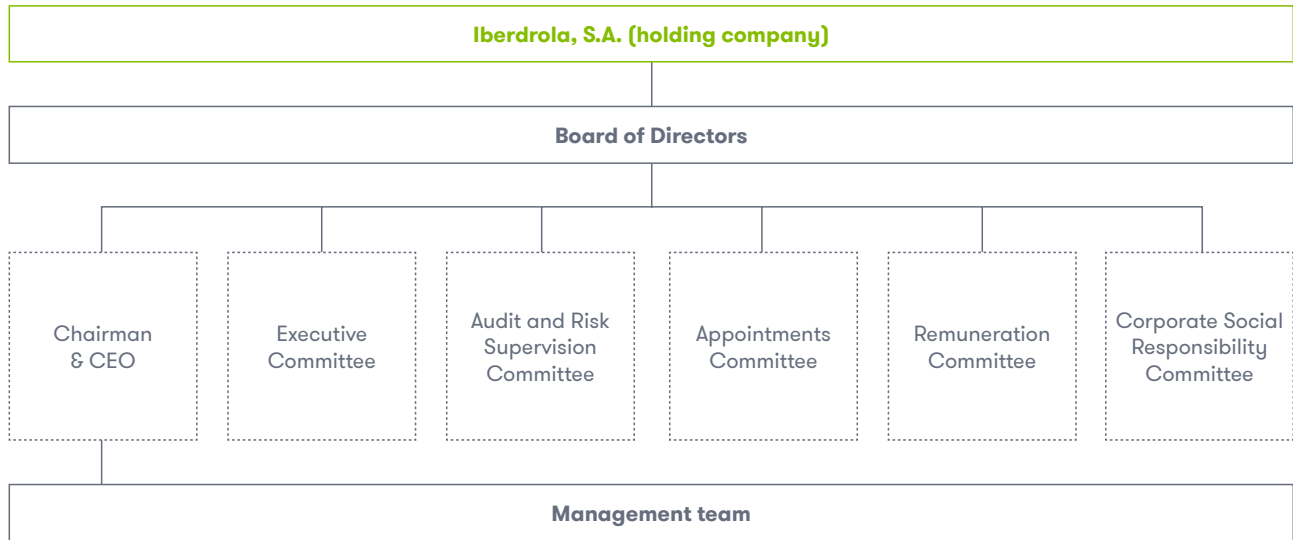
Avangrid, as a listed country subholding company, enjoys a special framework of strengthened autonomy that contemplates measures appropriate to safeguard the interests of its minority shareholders.

Head of Business Companies

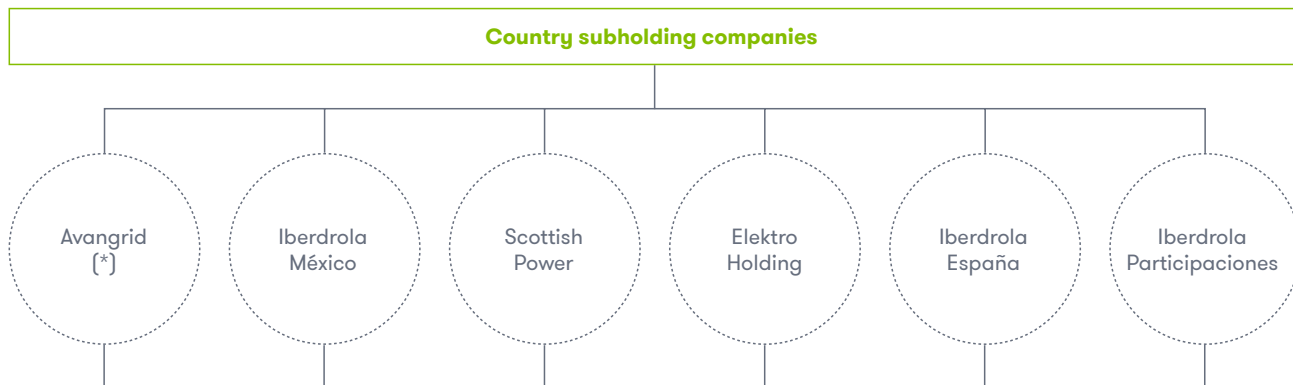
These assume decentralised executive responsibilities, have the independence required to carry out the day-to-day administration and effective management of each of the businesses, and are responsible for the day-to-day control thereof. They are organised through their respective boards of directors and their own management bodies, and may also have their own audit committees.

The corporate and governance structure operates jointly with the Group's Business Model, which entails the global integration of the businesses and aims to maximise the operational efficiency of the various business units. It also assures the dissemination, implementation, and monitoring of the general strategy and of the basic management guidelines for each of the businesses, mainly through the exchange of best practices among the various companies of the group, without reducing the decision-making autonomy of each of them.

Group level coordination



Country level coordination



Day-to-day management of businesses



(*) Company listed on the New York Stock Exchange



Indoor aerial view of
Iberdrola Tower, Bilbao
/ Spain

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Board of Directors



View of Iberdrola Tower and Euskalduna Conference Centre

© Fede Merino

3a

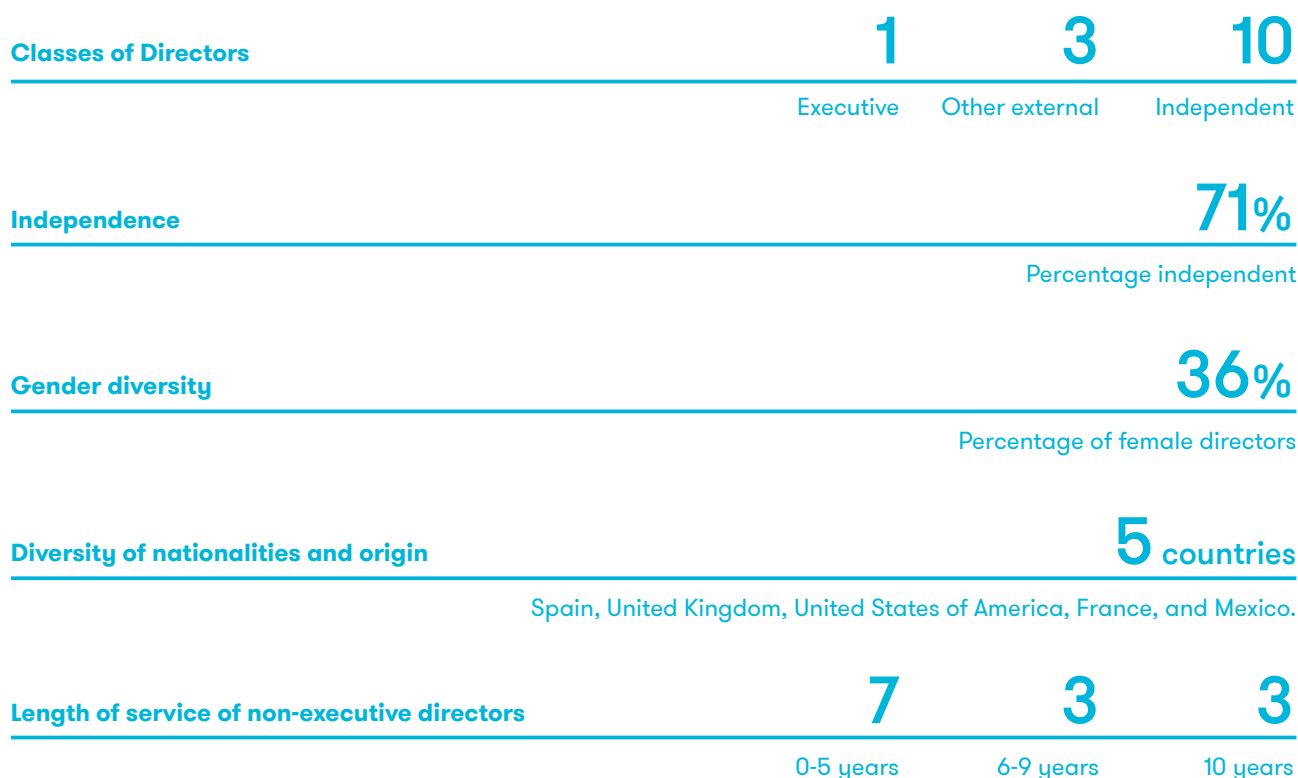
Composition

Selection of directors and composition

Iberdrola has a *Director Candidate Selection Policy* that is public, specific, and verifiable, and that sets out a wide range of criteria governing the search for new directors, including the candidates' professional qualifications, experience, origin, availability, and personal qualities, all intended to avoid any implied bias entailing any kind of discrimination.

Pursuant to the provisions of this policy, the independent directors of the other companies of the group are one of the main sources to identify potential candidates as directors of Iberdrola. Performing duties as a director at the country subholding companies and head of business companies, provides a deep understanding of the businesses activities of the group and of its internal operation. In turn, it provides first-hand knowledge of the candidates' skills, work capacity, commitment to the position, and potential to provide contribute value.

The result is a balanced Board of Directors, made up of a large majority of independent directors, with high qualifications and ample professional experience and remarkable diversity in terms of expertise, origin, and gender (with 36% female directors, which is above the goal of 30% set in this policy for 2020). This wealth of profiles, together with the high-level dedication required of its members, ensures the proper operation of this body.



Features

The members of the Board of Directors, as a whole, have suitable qualities based on the current and future characteristics and needs of the group's businesses.



Administration / senior management / resource management

One of the leading European electric companies by stock market capitalisation.



Accounting / financial / risk management

In an environment of regulatory and accounting standard changes with a high impact on the financial statements. Responsibility of the Board for continuously supervising the management of risks.



Energy / industrial sector

With activities in very different businesses within the energy sector (regulated vs. liberalised).



Prior experience within the Iberdrola group

Having a high percentage of directors with prior experience within the group, and with a broad understanding of its operations and its businesses.

Features



Personal / human resources management

Where the ideal composition of the Board and of its committees is of great significance, and where the supervision of talent within senior management and in the rotation of officers is critical.



Commercial / international / principal markets

With a presence in many countries, with exposure concentrated in five large primary geographic areas in the Atlantic axis: Spain, the United Kingdom, the United States of America, Mexico, and Brazil.



Institutional / legal

With an increased weighting of regulated businesses, it is more important to be familiar with the operation of institutions, especially governmental institutions.



Remuneration

Which requires a remuneration policy that attracts and retains talent and that is consistent with the Company's long-term creation of value.



Corporate social responsibility / corporate governance

And with an international and widely dispersed shareholder base, which requires a continuing evolution of the Corporate Governance System.

Profiles / Chairman



© Francis Tsang



José Ignacio Sánchez Galán

/

Director since: 2001

Class: executive

Committees: Executive (chairman)

Age: 66

Spain

In addition to his position as Iberdrola's chairman & chief executive officer, he is the chairman of the boards of directors of the country subholding companies of the group in the United Kingdom (Scottish Power Limited) and the United States of America (Avangrid, Inc., a NYSE-listed company).

Personal profile and academic training

Ignacio graduated as an Industrial Engineer from the Engineering School (ICAI) of Universidad Pontificia Comillas (Madrid). He also graduated in Business Administration and Foreign Trade from ICADE at Universidad Pontificia Comillas (Madrid) and in General Business Administration and Foreign Trade from the School of Industrial Organisation (EOI) in Madrid. He speaks English, French, Italian, and Portuguese.

He has received honorary doctorate degrees from the universities of Salamanca, Edinburgh, and Strathclyde (Glasgow). He has been on the faculty of Escuela Técnica Superior de Ingeniería (ICAI), and is currently a visiting professor at the University of Strathclyde and chairman of the Social Council of the University of Salamanca, a member of the Presidential CEO Advisory Board of Massachusetts Institute of Technology (MIT), and a trustee of Fundación Universitaria Comillas-ICAI.

Noteworthy experience in the energy and industrial engineering sector

Since his arrival at Iberdrola in 2001, Ignacio has led one of the most successful transformation processes undertaken by a large company in recent years, which has allowed the Company to become one of the top European utilities by market capitalisation. Iberdrola has also become a world leader in renewable energy and one of the most environmentally-friendly electric companies. He was also chairman of Iberdrola Renovables until its merger with Iberdrola in 2011.

In the industrial engineering sector, he has served as chief operating officer of Industria de Turbo Propulsores (ITP) and as chairman of the European aerospace consortium Eurojet, headquartered in Germany. He has also held various executive and management positions at Sociedad Española del Acumulador Tudor, S.A. (now, Exide Group) and has been a director of Page Ibérica, S.A.

Noteworthy experience in other industries

He was chief executive officer of Airtel Móvil (now, Vodafone España), chairman of Iberdrola Inmobiliaria and of Desafío Español 2007, S.A. (Spanish team in the America's Cup), and a member of the Supervisory Board of Nutreco Holding. He was also a founder of the Matarromera group, of which he has been a director.

Other information

He is a trustee of the Princess of Asturias Foundation, the COTEC Foundation, the Carolina Foundation, the CyD Foundation, the Aspen Institute Spain Foundation, the Elcano Royal Institute, and the Royal Board of Trustees of the Prado Museum. He is a member of the Electricity Cluster at the World Economic Forum (Davos), which he has chaired in the past, and sits on the Executive Committee of the European Round Table of Industrialists and of the group that brings together Europe's leading electric utilities.

Principal recognitions

- Medal of Honour of the Royal National Academy of Medicine (2016).
 - Best European Utility Chief Executive for the tenth time (the latest in 2016), according to the Institutional Investor Research Group.
 - Knight Commander of the Most Excellent Order of the British Empire, awarded by Queen Isabel II (2014).
 - Responsible Capitalism Award (2014), by the First Group.
 - Gold Medal of the City of Salamanca (2013).
 - Lagun Onari (Friend of the Basque People), awarded by the Basque Regional Government (2011).
 - Best CEO of European utilities and of Spanish listed companies in investors relations, according to the Thomson Extel Survey (2011).
 - Bilbao Consul, by the Chamber of Commerce, Industry and Navigation of Bilbao (2009).
 - Gold Medal of the Province of Salamanca (2009).
 - International Economy Award (2008), by the Cristóbal Gabarrón Foundation.
 - Business Leader of the Year (2008) Award, by the Spain-United States Chamber of Commerce.
 - Best CEO of the Year (2006), at the Platts Global Energy Awards.
 - Award for Best CEO in Investor Relations, by IR Magazine (2003-2005).
-



Lempster Wind Farm –
New Hampshire, United States
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Profiles / Directors

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**Inés Macho**

/

Director since: 2006**Class: Lead Independent Director****Committees: Executive, Remuneration (chair)****Age: 57****Spain**

Inés is a professor at the Universidad Autònoma de Barcelona and at the Barcelona Graduate School of Economics, and a member of various economic associations.

- Member of the Council of the French Economic Observatory (*Observatoire Français des Conjonctures Économiques*) (OFCE), and currently honorary member of the European Economic Association and of the Spanish Economic Association (*Asociación Española de Economía*).
- Has been a member of the International Scientific Advisory Committee of the Basque Centre for Climate Change (2009-2014).
- Chair of the Scientific Committee of the Conference of the Spanish Association for Energy Economics (*Asociación Española para la Economía Energética*) (2011).
- Has been a member of the Advisory Council of the Research Service of “la Caixa” (2008-2011) and president of the Spanish Economic Association (2005).

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Íñigo de Oriol

/

Director since: 2006

Class: other external

Committees: Appointments, Remuneration

Age: 54

Spain

Íñigo has spent a portion of his professional career at the group.

- Member of the boards of directors of affiliates of the group in various countries (2001-2006): chair of Electricidad de La Paz, of Empresa de Luz y Fuerza Eléctrica de Oruro (Bolivia), and of Iberoamericana de Energía Ibener (Chile), as well as a director of Neoenergía (Brazil) and of Empresa Eléctrica de Guatemala.
- Director of Corporate Governance of Iberdrola in America (2001-2006).
- Director of Management Control at Amara (1989-1992) and financial analyst within the Financial Division (1992-1997) and within the International Division (1997-2001).

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Braulio Medel

/

Director since: 2006

Class: independent

Committees: Corporate Social Responsibility

Age: 69

Spain

Braulio is chair of Fundación Bancaria Unicaja and vice-chair of Confederación Española de Cajas de Ahorros (CECA).

- Chair of Federación de Cajas de Ahorros de Andalucía and of Hidralia and director of the listed company Acerinox, S.A. and of Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros (currently).
- Chair of Unicaja (1991-2016) and vice-chair of the European Savings and Retail Banking Group.
- Director of Compañía Sevillana de Electricidad and Abertis Infraestructuras (2005-2010).
- Deputy Minister for Economy and Finance of the Autonomous Government of Andalusia (1984-1987) and chair of Consejo Andaluz de Colegios de Economistas (2003-2009).

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**Samantha Barber**

/

Director since: 2008**Class: independent****Committees: Corporate Social Responsibility (chair)****Age: 47****United Kingdom**

Samantha belongs to the boards of directors of various organisations and performs advisory and business coaching work.

- Chair of Scottish Ensemble, vice-chair of Scotland's 2020 Climate Group, and member of the Advisory Board for Elima Breakthrough Breast Cancer, of the GlobalScot Network, and of the Advisory Board for the Imperial College London MBA (currently).
- Member of the Advisory Council of Scottish Power following the integration of the Scottish company into the group (2007-2008).
- Board member of Business for Scotland (1998-2000) and chief executive of Scottish Business in the Community (2000-2009).

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Santiago Martínez Lage

/

Director since: 2010

Class: independent

Committees: Remuneration

Age: 70

Spain

Santiago is chairman of the law firm Martínez Lage, Allendesalazar & Brokelmann, and has been a member of the Spanish Diplomatic Corp.

- Secretary of the board of directors of SKF Española, vice-chair of the Spanish Association for the Study of European Law (*Asociación Española para el Estudio del Derecho Europeo*) and the European Law Section of the Royal Academy of Jurisprudence and Legislation (*Real Academia de Jurisprudencia y Legislación*), a trustee of Fundación España México, and a member of the Arbitrator Appointment Committee of the Spanish Court of Arbitration (currently).
- External independent director of Iberdrola Renovables and chair of its Appointments and Remuneration Committee (2007-2010).
- He has served as secretary of the boards of directors of Fujitsu Services and Telettra España.
- As a diplomat, he was posted to several countries, and has also served at the Office of the Secretary of State for Relations with the European Community.

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José Luis San Pedro

/

Director since: 2012

Class: other external Committees: Executive

Age: 70

Spain

José Luis has spent a large portion of his professional career within the group and is currently the chair of the Board of Directors of Iberdrola España.

- Business CEO of the group (2011-2014) and chief operating officer (2012-2014).
- General Manager of Control, Regulation, and Services of Iberdrola (2000-2011). General Director of Economy and Finance of Iberdrola (1991-2000).
- Director of Administration and Finance (1984-1991) of Iberdrola.
- Head of the Studies and Planning Department (1982-1984).
- Director and member of the Executive Committee of Corporación IBV, Servicios y Tecnologías.

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María Helena Antolín
/
Director since: 2010
Class: independent
Committees: Appointments (chair)
Age: 50
Spain/France

María Helena is vice-chair of the board of directors and member of the Management Committee of Grupo Antolín, President of the Spanish Association of Automotive Equipment and Component Manufacturers (*Asociación Española de Fabricantes de Equipos y Componentes para Automoción*) (Sernauto), and a board member of France Foreign Trade (*Comercio Exterior de Francia*), Spain section.

- Corporate director – Industrial and Strategy of Grupo Antolín, where she has also been a director of Human Resources and the head of Total Quality for the Group.
- She has held various positions at subsidiaries of Grupo Antolín located in Germany, France, and Italy.
- Director of Iberdrola Renovables, S.A. and a member of its Related-Party Transactions Committee (2007-2010).

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Ángel Acebes

/

Director since: 2012

Class: independent

Committees: Executive, Appointments

Age: 58

Spain

Ángel is a practising attorney, chairman and founding partner of Grupo MA Abogados, sole director and professional partner of Doble A Estudios y Análisis, member of the Advisory Board of Wolters Kluwer España, and a trustee of Fundación Universitaria de Ávila, UCAV.

- Minister for Public Administrations (1999-2000), Minister of Justice (2000-2002), and Minister of the Interior (2002-2004) of the Spanish Government.
- A practising lawyer between 1982 and 1994, specialising in commercial law.

© Rafa Sámano



José W. Fernández

/

Director since: 2015

Class: independent

Committees: Audit and Risk Supervision

Age: 61

United States

José is a partner in the law firm of Gibson, Dunn & Crutcher, as well as a member of the board of directors of the Council of the Americas and the Center for American Progress.

- Assistant Secretary of State for Economic, Energy and Business Affairs for the United States of America (2009-2013).
- Independent director at Iberdrola USA (2013-2015) and chair of the Audit and Compliance Committee (2014-2015).
- He has served on the boards of Dartmouth College, NPR Station WBGO-FM, the Middle East Institute, and Ballet Hispanico of New York, among others, and has been the State Department's representative on the Committee on Foreign Investment in the United States.

© Carlos A. García Mora



Georgina Kessel

/

Director since: 2013

Class: independent

Committees: Audit and Risk Supervision (chair)

Age: 66

Mexico

Georgina is an independent director and chair of the Audit Committee of Grupo Financiero Scotiabank Inverlat, and a partner of Spectron E&I.

- Energy Secretary of the Government of Mexico (2006-2011) and chair of the Energy Regulatory Commission (1994).
- Chair of the Board of Directors of Pemex and of the Board of Directors of the Federal Electricity Commission (Comisión Federal de Electricidad) (CFE) (2006-2011).
- She has participated in the Energy Council of the World Economic Forum and in the United Nations Organization Secretary General's advisory group (Sustainable Energy for All).
- Member of the board of Nafinsa and Bancomext (2006-2011) and general manager of Banobras (2011-2012).
- Professor at various academic institutions.

© Rafa Sámano



Manuel Moreu

/

Director since: 2015

Class: independent

Committees: Executive, Corporate Social Responsibility

Age: 63

Spain

Manuel is president of the engineering firm Seaplace, sole director of H.I. de Iberia Ingeniería y Proyectos, and of Howard Ingeniería y Desarrollo, director of Tubacex, and member of the Spanish Committee of Lloyd's Register EMEA.

- Board member of Iberdrola Renovables (2007-2011) and board member and member of the Audit and Compliance Committee of Gamesa (2013-2015).
- Professor at Universidad Politécnica de Madrid – ETSIM, at the Repsol's Master's Program in Oil, and at the Maritime Master's Program of Instituto Marítimo Español and Universidad Pontificia Comillas.
- He has been a member of the board of Metalships and Docks, Neumáticas de Vigo, and Rodman Polyships.
- He has been dean of the Colegio Oficial de Ingenieros Navales y Oceánicos de Madrid y de España, and president of the Colegio de Ingeniería de España.

© Fernando Gómez



Xabier Sagredo

/

Director since: 2016

Class: other external

Committees: Audit and Risk Supervision

Age: 44

Spain

Xabier is chair of the Board of Trustees of Bilbao Bizkaia Kutxa Fundación Bancaria-Bilbao Bizkaia Kutxa Banku Fundazioa, of BBK Fundazioa and of Fundación Eragintza, trustee of the Bilbao Museum of Fine Arts and of the Guggenheim Foundation, at which he also serves as a member of the Executive Committee.

- Director of Iberdrola Generación and a member of its Audit and Compliance Committee (2009-2014).
- Director of Iberdrola Distribución Eléctrica, S.A., at which he has held the position of chair of the Audit and Compliance Committee (2014-2015).
- Director of the Expansion and Assets area of the credit institution Ipar Kutxa (1997-2007), managing director of the concessionaire Transitia (2007-2012), and a member of the Board of the Bilbao Port Authority.
- Vice-chair of the Board of Directors of Caja de Ahorros Bilbao Bizkaia Kutxa, Aurrezki Kutxa eta Bahitetxea (BBK) (2012-2013), and chair of its Audit Committee (2012-2013).

© Jack Hill



Denise Holt

/

Director since: 2014

Class: independent

Committees: Audit and Risk Supervision

Age: 67

United Kingdom

Denise is an independent director and member of the Risk Committee of HSBC Bank, chair and independent director of M&S Bank Plc., independent director and member of the Quality and Safety and Compensation Committees of the Board of Directors of Nuffield Health, member of the governing board of the University of Bristol, and chair of the Appointments Committee of the British Alzheimer's Society.

- First secretary of the Embassy of the United Kingdom in Brazil (1990-1993) and ambassador to Mexico (2002-2005) and Spain (2007-2009).
- Director of Human Resources (1999-2002) and Migration (2005-2007) and for the Overseas Territories (2005-2007) of the UK Foreign and Commonwealth Office.
- Director of Scottish Power Renewable Energy (2011-2012) and of Scottish Power Energy Networks Holdings (2012-2014).
- Chair of the Anglo-Spanish Society (2010-2013) and Wilton Park international conference centre (2012-2015).

Profiles / Secretary of the Board of Directors

© Estanis Nuñez



Julián Martínez-Simancas

/

Secretary of the Board of Directors and of the Executive Committee

Since: 2007

Age: 66

Julian is a board member of Iberdrola España and a practicing attorney with the Bar Associations of Biscay, Madrid, and Oviedo.

- Since he joined Iberdrola in 2002, he has acquired extensive and profound knowledge about the Company, participating in its process of transformation through the following positions, general secretary, assistant to the vice-chair & chief executive officer, deputy secretary of the Board of Directors and chair of the Company's Regulatory Compliance Unit, executive director of Iberdrola México, and member of Iberdrola's Advisory Committee in Andalusia.
- Government lawyer in the tax departments and courts of Granada, Oviedo, Ceuta, and Málaga (1976-1978), in the Madrid Courts (1981-1985), and in the Supreme Court of Justice (1985-1990).
- Executive vice president and member of the Management Committee of Banco Santander Central Hispano (now, Banco Santander) (1978-2002) and director at Airtel Móvil (now, Vodafone) (1998-2000), at Sociedad General Azucarera de España (1996-1998), and at Cementos Portland Valderrivas (2003-2005), among others.

Profiles / Deputy secretary of and counsel to the Board of Directors



© José Antonio Rojo



Santiago Martínez Garrido

/

Deputy Secretary of the Board of Directors Since: 2015

Age: 48

Santiago is the director of Legal Services of Iberdrola, member of the board of Avangrid and of the Brazilian companies Elektro Holding and Neoenergia.

- Member of the board, legal counsel, and secretary of Iberdrola Renovables (2009-2011).
- Government Lawyer for the Autonomous Community of Castile and León (1995-1998).
- Government Lawyer at the High Courts of Appeals (*Tribunales Superiores de Justicia*) of Catalonia and of Castile-La Mancha, and at the Ministry of the Interior (1997-2000).
- Chief of staff of the Secretary of State for Justice (2000-2002) and of the Ministry of Justice (2002-2004), and member of various boards of directors of public and private companies.

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Rafael Mateu de Ros

/

Counsel to the Board of Directors and secretary of the Remuneration Committee

Joined Iberdrola in: 2011

Age: 64

Rafael holds graduate and doctorate degrees in Law and has also completed postgraduate programmes in EC Law and in Management. He has worked as a lawyer both at the Government's Legal Service (*Cuerpo de Abogados del Estado*) and in the private sector. Throughout his career he has served as secretary of the board of directors and head of legal services at various companies, including Bankinter.

He is a partner of the law firm Ramón & Cajal Abogados, based in Madrid, and an independent director and chair of the Appointments and Corporate Governance Committee of Bankinter.

West of Duddon Sands
offshore wind farm
/ United Kingdom

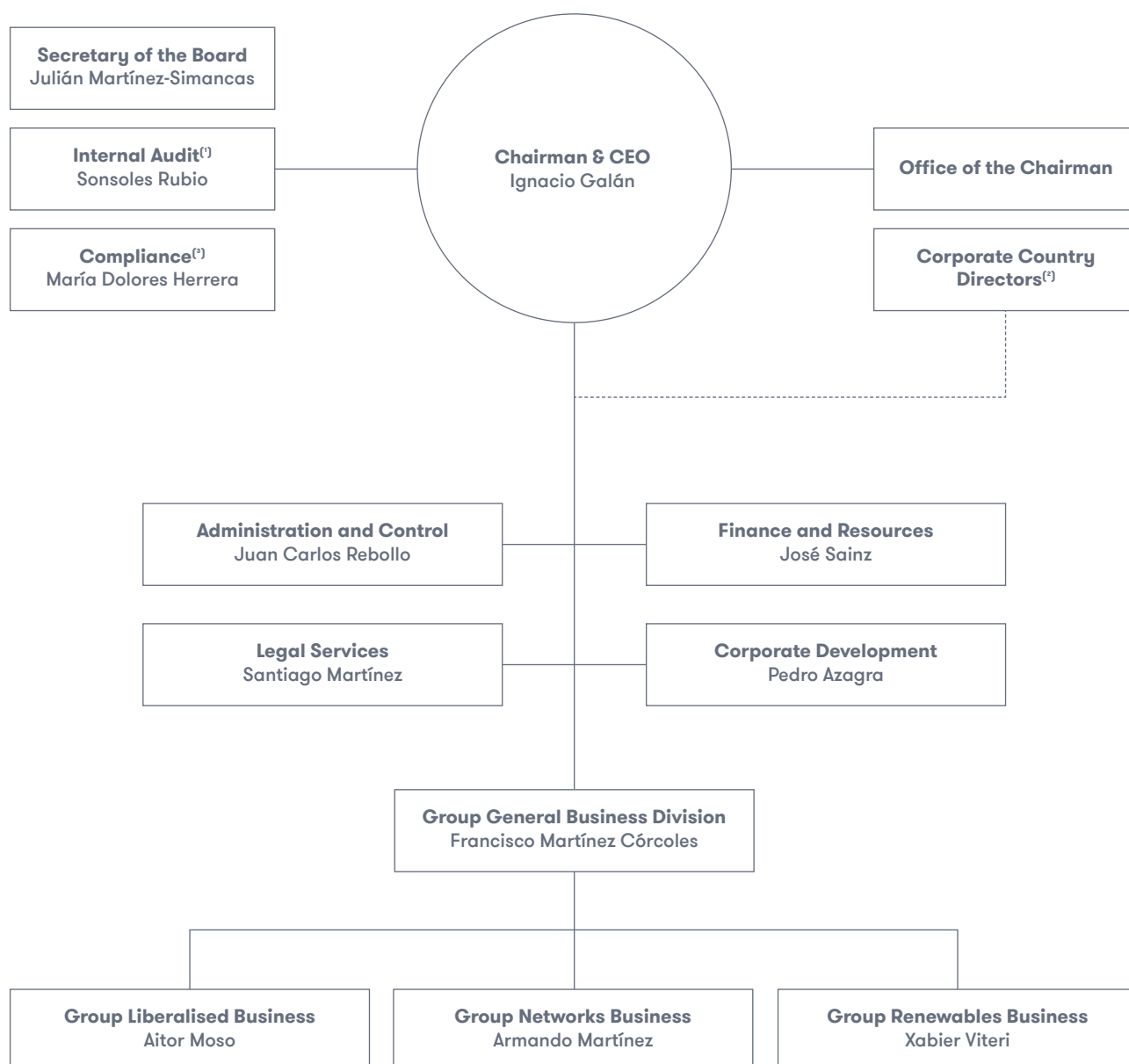
© Chris James



Management team

The management team of Iberdrola, as a holding company, handles the organisation and strategic coordination of the group. This duty is performed through the dissemination, implementation, and monitoring of the general strategy, the *Corporate Policies*, and the basic management guidelines established by the Company's Board of Directors for the entire group.

Organisational Chart of Iberdrola, S.A.



(1) Functionally reports to the Audit and Risk Supervision Committee

(2) For purposes of coordination of institutional relations

(3) Reports to the Corporate Social Responsibility Committee

3b

Activities

Key issues in 2016

Pursuant to the provisions of the corporate and governance structure of the group, the Board of Directors has focused its activities on approving the strategic goals of the group, on defining its organisational model, and on supervising the implementation and further development thereof.

Strategy

Growth: The Board of Directors approves the strategic goals and determines the focus of the group's most significant investments, ensuring that they are made in the businesses identified as priority, regulated, and renewable businesses, as well as in countries with a high credit rating.

- Approval of the Outlook 2016-2020 and of the strategic pillars. The Iberian Peninsula, the United Kingdom, the United States, Mexico, and Brazil are defined as priority geographic areas for the group.
- Approval of the strategy and budgets for financial year 2017.

Financial strength: The Board of Directors of the Company determines the financial strategy during a growth phase of the Company.

- Approval of a set of diversified financing sources, maintaining the Euromarket as one of the principal sources.

Sustainable remuneration: The Board of Directors ensures that shareholder remuneration is aligned with growth in the group's results.

- Validation of the objective of shareholder remuneration growth in line with the increase in the results of Iberdrola, maintaining pay-out at 65-75%.
- Approval of an approximately 11% increase in shareholder remuneration with a charge to 2016.

**Noteworthy milestones: Outlook 2016-2020.
Approval of an approximately 11% increase in shareholder remuneration with a charge to 2016**

Supervision

The Board of Directors, with the support of the Executive Committee, supervises on an ongoing basis the implementation of the group's strategy and the development of the group's organisational model

- Detailed study of priority markets, with a focus on the expected performance of different key variables (demand, installed capacity, energy prices, etc.).
- Analysis of the performance and expectations for the future of each of the group's businesses.
- Monitoring the integration of Avangrid, Inc. into the group, taking into account its special framework of strengthened autonomy.
- Periodic monitoring of key financial indicators, such as interest rate structure, liquidity position, and financing in various currencies.
- Monitoring the impact that the merger between Siemens Wind HoldCo, S.L. ("Siemens") and Gamesa Corporación Tecnológica, S.A. ("Gamesa") will have on Iberdrola.

**Noteworthy milestone:
Monitoring the integration of Avangrid and the merger between Siemens and Gamesa**

The Board of Directors has also devoted a significant portion of its time to dealing with other strategic issues relating to the group's management, such as risks, corporate governance, director and senior officer remuneration, and social responsibility and sustainability.

Risk supervision and control

The Board of Directors is deeply involved in the supervision of the group's risks: it monitors the level of risk by means of periodic tracking of the most significant threats.

- Identification and analysis of the main risks facing the group during the next period (2016-2020).
- Ongoing monitoring of risks with a possible impact on financial year 2016.
- Annual revision of the *Risk Policies* in order to make technical improvements and update the text thereof.
- Update of the guidelines on risk limits for the country subholding companies and the head of business companies.
- Approval of the *Report on Risk Control and Management Systems*.
- Supervision of the preparation of the annual and quarterly accounts.

Noteworthy milestone: Risk Analysis 2016-2020

Director and senior officer remuneration

The Board of Directors has supervised the remuneration model in order to verify that it is consistent with the Company's performance and with shareholder return, thus ensuring the maximisation of long-term value.

- Comparative analysis of the remuneration of non-executive directors and of the chairman & CEO.
- Freezing the remuneration of executive and non-executive directors during financial year 2016.
- Establishing the limit on variable remuneration as well as the targets for accrual thereof by the chairman & CEO for financial year 2016.
- Approval of the fixed and variable remuneration of senior officers for financial year 2016.

Noteworthy milestone: Comparative analysis of director remuneration and supervision of the consistency of the group's remuneration model

Corporate governance

Ongoing efforts to identify and implement best corporate governance practices are key pillars for the creation of sustainable value.

- Formalising the integration of the *Mission, Vision, and Values of the Iberdrola group* into the Corporate Governance System and fostering the inclusion thereof in the By-Laws.
- Making various improvements designed to encourage shareholder participation in the General Shareholders' Meeting. Monitoring the holding of the Meeting within the framework of Shareholder Week.
- Successive amendments to the Corporate Governance System in order to cement the group's leadership in this field, including the approval of a new *Anti-Corruption and Anti-Fraud Policy*.
- Coordination and supervision of the process of evaluation of the Board of Directors, carried out with the participation of an external adviser.
- Review of contacts made by the chairman & CEO and the management team with key market players.

Noteworthy milestone: Ongoing improvement of the Corporate Governance System and inclusion of the *Mission, Vision, and Values of the Iberdrola group* within the Company's set of rules

Social responsibility and sustainability

The Board is committed to maintaining leadership in the fight against climate change, the development of clean energy, and respect for the environment, as well as in the maximisation of the social dividend.

- Amendment of the *Sustainability Policy*, the *Environmental Policy*, the *Policy against Climate Change*, and the *Biodiversity Policy* and formalisation of the commitment assumed by Iberdrola within the context of the global fight against climate change: reducing the intensity of CO₂ emissions by 30% by 2020, by 50% by 2030, and becoming carbon neutral by 2050.
- Introduction of new measures to promote gender equality and the reconciliation between professional and personal life, also applicable to the group's suppliers.
- Approval of incentives to strengthen the group's commitment to innovation and to the adoption of measures leading to the achievement of a healthier and more egalitarian and just society.
- Monitoring the group's activities in the area of sustainability and the alignment thereof with the requirements of the main reference bodies in this field (Dow Jones Sustainability Index, FTSE4Good, etc.).

**Noteworthy milestone: Formalisation
of commitments relating to the fight against climate change**

Level of attendance of each of the directors at meetings of the Board of Directors during financial year 2016



Number of meetings attended.

Number of meetings held during which the director belonged to the Board of Directors.

Meetings and appearances

The directors have access to a specific application, the directors' website, which facilitates performance of their duties and the exercise of their right to receive information. This website includes information deemed appropriate for preparation of the meetings of the Board of Directors and the committees thereof in accordance with the agenda, as well as training materials intended for the directors and presentations made to the Board of Directors.

Date	Place	Date	Place
23/02/2016	Bilbao	21/06/2016	Valencia
06/04/2016	Bilbao	19/07/2016	Bilbao
08/04/2016	Bilbao	25/10/2016	Madrid
26/04/2016	Madrid	20/12/2016	Bilbao

During financial year 2016, various members of the management team and external experts appeared before the Board of Directors:

Division	Ongoing	One-time
General Business Division	✓	
Administration and Control	✓	
Finance and Resources		✓
Hydroelectric Generation		✓
Liberalised Business		✓
Retail and Marketing Division		✓
Officers from other countries		✓
External experts		✓
Auditor		✓

Training

The Board of Directors conducts an ongoing training and information programme, which consists of both sessions and specific materials that are included in the directors' website. Iberdrola also has an initial guidance programme for new directors.

Date	Training sessions
19/07/2016	Hydroelectric technology as an energy solution: Iberdrola's strategy and projects in this field.
25/10/2016	Commercial strategies.

Date	Training documents
January	Iberdrola's status, prospects, and strategy in electric power distribution smart grids.
February	Iberdrola's strategy within the context of the global fight against climate change.
March	European Union plans regarding market abuse. Brexit. The next challenge for the European Union. Distributed generation and internal consumption. Status and outlook.
April	Communication 2.0. Use of social media as a vehicle to channel relations with stakeholders.
May	New legal provisions governing audits in Spain.
July	Current trends in corporate governance and their impact on Iberdrola.
August	Energy reform in Mexico.
September	Measures for reconciliation of family and personal life. Impact on the improvement of working conditions.
November	Information technologies strategy within the Iberdrola group and future challenges.

3c

Evaluation

The Board of Directors evaluates its performance on an annual basis. On 25 October 2016 the Board of Directors approved the commencement of the process for financial year 2016 of evaluation of the Board of Directors itself, the Executive Committee, its consultative committees, and each of the directors individually, including the chairman & CEO. In the last case, the evaluation was led by the lead independent director.

In order to align the Company with best international practices, it was decided to hire PricewaterhouseCoopers Asesores de Negocios, S.L. as an external adviser.

The evaluation covered approximately 500 objectively quantifiable and measurable indicators, which are updated each year with the latest trends and regulatory changes. The dimensions analysed in each of the reports were: (i) compliance with the Companies Act and the internal rules of the Company; (ii) a comparative analysis with more than 20 comparable domestic and international companies on best practices; (iii) monitoring of the most advanced market trends in good corporate governance; and (iv) the development of improvement areas defined in the action plans for prior years.

The conclusions from the evaluation process show the high level of excellence reached by the Board of Directors in discharging all of its tasks and responsibilities during the financial year.

On the one hand, the Board of Directors continued with the process of staggered renewal of its members in order to ensure that multiple viewpoints are contributed to the debate on matters within its purview. The independence of this body was also strengthened this financial year following the reclassification of Manuel Moreu Munaiz, which led to the percentage of independent directors increasing to 71%

On the other hand, the Board of Directors continued taking steps forward in the area of transparency, cementing its position as one of the best practices in the market. Thus, 2016 saw the publication for the first time of the *Annual Report on the Application of the Shareholder Engagement Policy* and the *Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors* and there was work to develop this *Activities Report of the Board of Directors and of the Committees thereof*.

Finally, as a measure of the Board of Directors' commitment to remaining aligned with the latest trends in the area of remuneration, a comparative analysis of director remuneration was performed under the lead of the Remuneration Committee with the support of an external adviser.

Dusk in the Altamira V
combined cycle power plant
/ México

© José Andrés Mendiá Huertos





Executive --- Committee

The Committee supports the Board of Directors in the supervision of compliance with the strategic goals of the group and the development of its organisational model.

4a

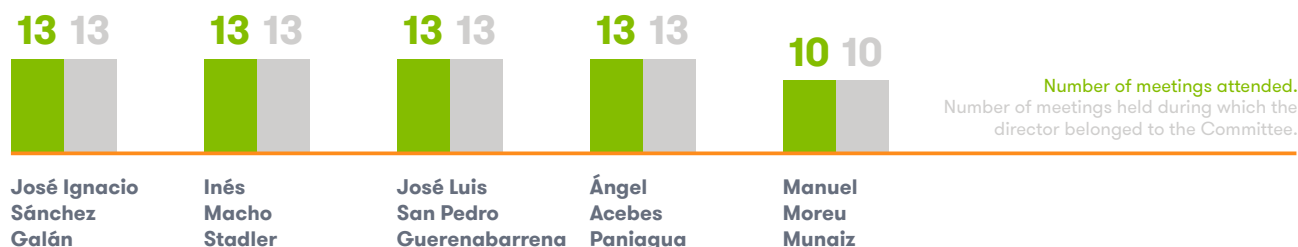
Composition and attendance

Composition of the Committee at 31 December 2016

Position	Director	Classification
Chair	José Ignacio Sánchez Galán	Executive
Member	Inés Macho Stadler	Independent
Member	José Luis San Pedro Guerenabarrena	Other external
Member	Ángel Acebes Paniagua	Independent
Member	Manuel Moreu Munaiz	Independent

Julián Martínez-Simancas Sánchez is the secretary of this Committee.

Level of attendance of each of the members of the Committee in 2016



The Committee met on 13 occasions during 2016. After the call of these meetings, all information necessary to properly prepare for the meeting was made available to the directors through the directors' website.

Date	Place	Date	Place
19/01/2016	Bilbao	06/09/2016	Madrid
02/02/2016	Madrid	20/09/2016	Madrid
8/03/2016	Madrid	04/10/2016	Madrid
17/05/2016	Madrid	15/11/2016	Madrid
07/06/2016	Madrid	29/11/2016	Madrid
05/07/2016	Madrid	13/12/2016	Bilbao
23/08/2016	Bilbao		

4b

Activities

Key issues in 2016

Support to the Board of Directors in supervising the implementation of the strategy

The Committee has supported the Board of Directors by continuously supervising compliance with the strategic goals of the group and the development of its organisational model.

Growth

- Periodic monitoring of changes in operating indicators by business and by geographic area and supervision of compliance with the Outlook 2016-2020 and the budgets for 2016.
- Monitoring the process of integration of Avangrid, Inc.
- Preliminary evaluation of the group's performance during financial year 2015 at the first meeting of the year.

Financial strength

- Supervision of the Company's sources of financing, ensuring compliance with the guidelines approved by the Board of Directors.
- Analysis of Iberdrola's performance in the financial markets and of its credit rating.
- Issue of more than 700 million euros of green bonds into the Euromarket.

Sustainable remuneration

- Supervision and implementation of the "Iberdrola Flexible Dividend" shareholder remuneration system.

Noteworthy milestone: Periodic monitoring of changes in operating indicators by business and by geographic area and supervision of compliance with the Outlook 2016-2020

Other key areas: risks, corporate governance, social responsibility, and sustainability

The Committee has also focused on monitoring the key issues handled by the Board of Directors, such as risks, corporate governance, and sustainability.

Risk review and management

- Analysis of the possible consequences for the group of the exit of the United Kingdom from the European Union.
- Analysis of exchange rate risk hedging.

Monitoring of the implementation of good governance practices

- Evaluation of the Committee with the advice of an external expert.
- Monitoring of meetings held by the Company with corporate governance analysts and proxy advisers.
- Monitoring of various initiatives in connection with shareholder engagement, such as Shareholder Week.

Social responsibility and sustainability

- Monitoring the process of ratification of the Paris Agreement.
- Analysis of the labour climate survey and the sustainable mobility plan.

Noteworthy milestone: Analysis of the possible consequences for the group of the exit of the United Kingdom from the European Union

Appearances

Both officers of the Company and external experts appeared before the Committee during financial year 2016.

Division	Ongoing	One-time
General Business Division	✓	
Administration and Control	✓	
Renewables Business		✓
Procurement and Insurance		✓
Corporate Director – United Kingdom		✓
External experts		✓

4c

Evaluation

The evaluation process has shown compliance with all evaluation indicators and the areas for improvement identified in 2015, as well as the progress made this year primarily in connection with two aspects relating to this Committee: its composition and the continuous improvement in its operation and in the performance of its duties.

On the one hand, the addition of Manuel Moreu Munaiz as a member of the Committee has made it possible to align the composition of this Committee and that of the Board of Directors, as the presence of independent directors is now stronger.

On the other hand, this body has continued to make progress in the improvement of its operation and in the proper performance of its duties, devoting time to support the Board of Directors in the supervision of compliance with the strategic goals of the group and the development of its organisational model. For this purpose, in addition to the time devoted by the Committee to internal debate, it has benefitted from appearances by various members of the management team.

5

Audit and Risk Supervision Committee

“The Committee has continued supervising the effectiveness of the group’s internal control, as well as its risk management systems.”

I am pleased to present to you the section of this Report regarding the Audit and Risk Supervision Committee.

During financial year 2016, the Committee carried out a wide range of activities, and various recommendations were implemented in connection with its duties and operation. At the beginning of the year, in accordance with best transparency practices, the *Report on the Independence of the Auditor of Iberdrola, S.A. and its Consolidated group for Financial Year 2015* was first approved for publication on occasion of the call to the 2016 General Shareholders' Meeting.

Subsequently, this Committee decided to propose to the Board of Directors for approval the *General Framework of Relations of Coordination and Information among the Audit Committees of Iberdrola, S.A. and its group*, in order to achieve a more efficient relation among such committees.

Additionally, in compliance with recommendation 44 of the *Good Governance Code of Listed Companies* approved by the National Securities Market Commission in 2015, the Committee issued a report on the financial terms and conditions and the exchange ratio for the merger by absorption of Siemens by Gamesa, as well as on its accounting impact on Iberdrola. With a view to the preparation of this report, two

extraordinary meetings were held which were attended by both in-house and external experts and at which the reports they submitted regarding the merger were analysed.

Finally, in parallel with the change in the Company's auditor as from 2017, a procedure was approved for contracting services additional to the audit of the annual accounts.

In furtherance of the continuous improvement of the training provided to the Committee members, a plan was designed that included seven training sessions during the meetings held in 2016.

For financial year 2017, as a result of the evaluation performed with the support of an external adviser, the Committee has established a number of lines of action, such as continuing to supervise all kinds of risks and evaluating the auditor, in addition to the ongoing pursuit of excellence, both in the training of its members and in its operation.

In this regard, I would like to reiterate that the members of the Committee I chair are firmly committed to making continuous efforts to successfully rise to the challenges with which the Committee is faced, within the framework of increasingly stringent regulations.

Georgina Kessel Martínez
Chair of the Audit and Risk Supervision Committee

5a

Composition and attendance

Composition of the Committee at 31 December 2016

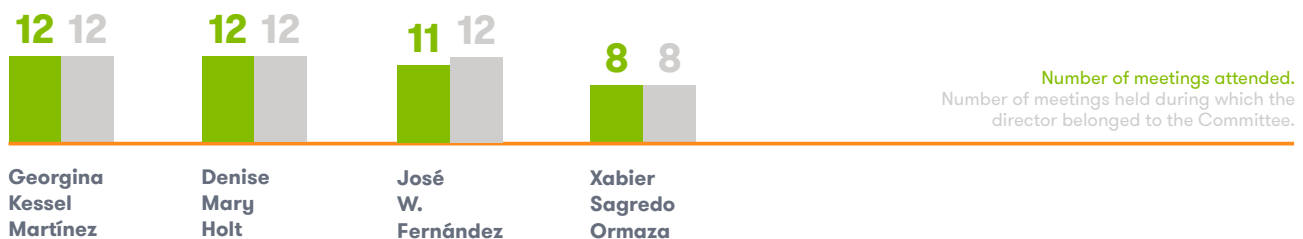
Position	Director	Classification	Experience in accounting/finance/risk management
Chair	Georgina Kessel Martínez	Independent	✓
Member	Denise Mary Holt	Independent	✓
Member	José W. Fernández	Independent	✓
Member	Xabier Sagredo Ormaza	Other external	✓

Rafael Sebastián Quetglas is the secretary of this Committee.

Holds graduate and doctorate degrees in Law as well as a degree in Economics and Business Administration and Management.

Currently practices as an attorney at the law firm Uría Menéndez, of which he is a partner.

Level of attendance of each of the members of the Committee during 2016



The Committee met on 12 occasions during 2016. After the call of these meetings, all information necessary to properly prepare for the meeting was made available to the directors through the directors' website.

Date	Place	Date	Place
17/02/2016	Madrid	18/07/2016	Bilbao
18/02/2016	Madrid	18/07/2016	Bilbao
22/02/2016	Bilbao	13/09/2016	Video conference
25/04/2016	Madrid	24/10/2016	Madrid
13/06/2016	Video conference	21/11/2016	Video conference
12/07/2016	Madrid	19/12/2016	Bilbao

Resolutions adopted in writing without a meeting not shown.

5b

Activities

Key issues in 2016

Economic/financial information and risk control and management system

The Committee supervises the process of preparing and presenting financial information regarding Iberdrola and reviews the management of the Company's main risks through a quarterly report.

Process of preparing the economic/financial information

- Report to the Board of Directors on the individual and consolidated annual accounts for financial year 2015.
- Report to the Board of Directors on the first and third quarter accounts, as well as for the first half of 2016.

Risk control and management system

- Quarterly analysis of the Risk Report.
- Continuous review of the internal control system.
- Report on the proposed amendment and update of the *Risk Policies* and acknowledgement of the proposed risk limits and indicators for 2016.
- Analysis of the internal control situation of the group.
- Analysis of the risks arising from the exit of the United Kingdom from the European Union.

Noteworthy milestone: Analysis of the internal control of Iberdrola group

Internal audit and audit of accounts

The Committee permanently supervises the activities of the Internal Audit Area.

Internal Audit

- Evaluation of the activities of the Internal Audit Area during 2015.
- Monitoring report on the activities of the Internal Audit Area and recommendations.
- Approval of the *Framework of Relations of Coordination and Information between the Internal Audit Area of Iberdrola, S.A. and the Internal Audit Divisions of the Companies of the group*.
- Approval of the activities plan and of the proposed budget for 2017.

Auditing

- Report to the Board of Directors on the independence of the auditor.
- Amendment of the *Auditor Contracting and Relations Policy*.
- Approval of the procedure for hiring the auditor for the provision of non-audit services and model for evaluation of the auditor.
- Prior approvals for the provision of non-audit services.
- Monitoring of the auditor transition plan for the 2017-2019 period.
- Proposal for re-election of auditor and of the terms for the hiring thereof.

Noteworthy milestone: Procedure for hiring Iberdrola's auditor for the provision of services additional to the audit of the annual accounts

Other areas and issues covered by the Committee

During this financial year, the Committee analysed the merger between Siemens and Gamesa, for which purpose it held two extraordinary meetings.

Analysis of the merger between Siemens and Gamesa

- Analysis of the financial terms and conditions and of the exchange ratio for the merger, as well as of its accounting impact on Iberdrola.

Evaluation process

- Evaluation of the Committee with the advice of an external expert.

Other powers

- Ongoing monitoring of the Company's treasury stock transactions and of the status of special purpose entities.
- Report on the level of compliance with the *Corporate Tax Policy* and the tax standards applied during financial year 2016.
- Proposal to the Board of the *General Framework of Relations of Coordination and Information among the Audit Committees of Iberdrola and its group*.
- Approval of activities report of the Committee.
- Analysis of the report on claims for financial year 2016.
- Evaluation of the channel of communication with the Committee.
- Acknowledgement of receipt of information from the audit of the 2016 General Shareholders' Meeting.

Noteworthy milestone: Analysis of the merger between Siemens and Gamesa

Appearances

Both officers of the Company and external experts appeared before the Committee during financial year 2016.

Division	Ongoing	One-time
Internal Audit	✓	
Administration and Control	✓	
Auditor	✓	
Risks	✓	
Cyber-security and Data Protection		✓
Tax Area		✓
Corporate Development		✓
Internal Control		✓
Networks Business		✓
Human Resources		✓
Legal Services		✓
External Advisers		✓

Training

The Audit and Risk Supervision Committee has a Training and Information Plan that includes training sessions held during Committee meetings.

Seven training sessions were held during the meetings of the Committee in financial year 2016, regarding the following topics:

- Strategic cyber-security plan.
- Report of the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (CNMV) regarding supervision of the financial information of listed companies.
- Global vision of the Networks Business: main initiatives and associated risks.
- Workforce: general data, reconciliation measures, training, and pension benefits.
- Strategic plan and governance model of Iberdrola in the area of cyber-security.
- Latest accounting developments.
- Aspects relating to the Committee and to the Internal Audit Area of the CNMV Report on Ibex-35 companies.

5c

Evaluation

The evaluation has shown the progress made this year primarily in connection with three aspects relating to this Committee: (i) the profile of its members, (ii) training, and (iii) transparency.

On the one hand, especially noteworthy is the addition of Xabier Sagredo Ormaza, who brings with him broad experience at audit committees, as he has been a member of the Audit and Compliance Committee of Iberdrola Generación, S.A. (Sociedad Unipersonal) and chair of that of Iberdrola Distribución Eléctrica, S.A. (Sociedad Unipersonal).

He has also chaired the Audit Committee of Caja de Ahorros Bilbao Bizkaia Kutxa, Aurrezki Kutxa eta Bahitetxea (BBK).

On the other hand, the Committee has continued to strengthen the training of its members by holding several sessions led by external experts and group officers regarding strategic issues of current interest, such as cyber-security and latest developments in the area of accounts.

The Committee has also contributed to improving the Company's transparency by approving, for the first time, the *Report on the Independence of the Auditor of Iberdrola, S.A. and its Consolidated group for Financial Year 2015*, which was published on occasion of the call to the 2016 General Shareholders' Meeting.



Appointments

Committee

“At the Committee, we devote most of our time to ensuring that Iberdrola’s Board of Directors continues to possess the skills and qualifications required to meet the challenges facing the group from time to time.”

I am pleased to present to you the section of this Report regarding the Appointments Committee.

During 2016, the Committee continued working to ensure that the Board of Directors possesses at all times the competencies and qualifications required to successfully perform its duties of defining the strategic goals and of properly supervising compliance with them. For this purpose, it has revised the *Director Candidate Selection Policy*, which sets forth the guidelines to follow in order to identify and propose new members of the Board of Directors.

Thus, at the beginning of the year, the Committee issued a favourable report on the appointment of Xabier Sagredo Ormazá. This appointment, which is part of the process of staggered renewal of the Board of Directors, contributed to provide the Board with significant experience in the financial sector and especially in the banking business.

The Committee also proposed to the Board of Directors the re-election of Inés Macho Stadler, Braulio Medel Cámara, and Samantha Barber as independent directors, and issued a favourable report on the proposed re-election of Iñigo Víctor de Oriol Ibarra as “other external” director, following a positive evaluation of the quality of work and dedication to their position of each of the candidates for re-election during the prior term of office.

Also during this financial year, the Committee analysed the modification in the composition of the committees of the Board of Directors, as a result of which it issued a favourable report on the appointment of Manuel Moreu Munaiz as a member of the Executive Committee and proposed the appointment of Xabier Sagredo Ormazá as a member of the Audit and Risk Supervision Committee.

The Committee also reviewed the organisational chart of the management team and the professional qualifications of the replacements for senior officers, in order to ensure that the Company has an appropriate contingency plan.

In the action plan designed as a consequence of the evaluation process, the Committee and its members have committed themselves to continuing to deal with critical issues such as talent management among senior officers and the planning of the renewal of the Board of Directors; these topics will continue to be the subject of in-depth analysis next year.

In sum, the Committee will continue working in order for the Company to have a Board of Directors equipped with the most appropriate profiles to meet the current and future challenges facing Iberdrola.

María Helena Antolín Raybaud
Chair of the Appointments Committee

6a

Composition and attendance

Composition of the Committee at 31 December 2016

Chair	Director	Classification	Experience in people/human resources management
Presidenta	María Helena Antolín Raybaud	Independent	✓
Member	Íñigo Víctor de Oriol Ibarra	Other external	✓
Member	Ángel Acebes Paniagua	Independent	✓

Íñigo Gómez-Jordana Moya is the secretary of this Committee.

Degree in Law, Master's degree in International Relations, and a Master's degree in Law.

Currently practices as an attorney at the law firm DLA Piper International, of which he is a senior partner in Spain.

Level of attendance of each of the members of the Committee during 2016



The Committee met on 7 occasions during 2016. After the call of these meetings, all information necessary to properly prepare for the meeting was made available to the directors through the directors' website.

Date	Place	Date	Place
12/01/2016	Madrid	03/10/2016	Madrid
19/02/2016	Madrid	30/11/2016	Madrid
18/04/2016	Madrid	19/12/2016	Bilbao
18/07/2016	Bilbao		

Resolutions adopted in writing without a meeting not shown.

6b

Activities

Key issues in 2016

Composition of the governance bodies

The Committee has reviewed the suitability of appointing Xabier Sagredo Ormaza after analysing the needs of the Board of Directors.

Board of Directors

- Favourable report, after analysing the needs of the Board of Directors and the skills and experience of the candidate, of the appointment of Xabier Sagredo Ormaza as other external director.
- Analysis of modifying the composition of the committees of the Board of Directors, with the appointment of Manuel Moreu Munaiz as member of the Executive Committee and of Xabier Sagredo Ormaza as member of the Audit and Risk Supervision Committee.
- Review of the *Director Candidate Selection Policy*.

Senior officers

- Report to the Board of Directors on revising the organisational chart of senior officers.
- Analysis of professional skills of the replacements for the senior officers.

Evaluation and re-election of directors

The Committee continuously reviews the qualification and, if appropriate, independence of the directors, as well as compliance with the requirements of respectability, capability, expertise, competence, availability, and commitment to their duties.

Re-election of directors

- Proposed re-election of the directors Inés Macho Stadler, Braulio Medel Cámara, and Samantha Barber as independent directors, and report on the re-election of Íñigo Víctor de Oriol Ibarra as other external director after comparing his experience, knowledge, and dedication to the needs of the Board of Directors.
- Analysis of the classification of the directors.

Related-party transactions

- Analysis of related-party transactions between Iberdrola Inmobiliaria and Torre Iberdrola with companies belonging to the group led by Kutxabank (significant shareholder of Iberdrola).
- Approval of the report on related-party transactions of the group with directors, senior officers, significant shareholders and their respective related persons.
- Analysis of potential conflicts of powers of the directors.

Transparency and operation of the Committee

The Committee is committed to the continuous adoption of the good corporate governance practices identified in the evaluation process carried out on an annual basis.

Evaluation process

- Acknowledgement of the evaluation reports prepared by an external expert on (i) the Appointments Committee, (ii) the Board of Directors, (iii) the competence of the members of the Board of Directors, (iv) the chairman, (v) the chief executive officer, and (vi) the other directors.
- Review of the latest corporate governance trends.
- Monitoring the Action Plan 2016.

Publication of information

- Approval of activities report of the Committee.
- Report of the Corporate Social Responsibility Committee on the sections of the *Annual Corporate Governance Report* within the purview of the Committee.

Noteworthy milestone:

Report on the appointment of Xabier Sagredo Ormaza. Proposed re-election of four directors

Appearances

Both officers of the Company and external experts appeared before the Committee during financial year 2016.

Division	Ongoing	One-time
Chairman & CEO	✓	
Secretary of the Board of Directors		✓
Human Resources		✓
External experts		✓

6c

Evaluation

The evaluation has shown the progress made by the Committee in the discharge of its duties by providing greater dedication to three key areas: (i) review of the most critical issues relating to appointments to the Board of Directors, (ii) analysis of trends in matters that are strategic to the Committee's work, and (iii) supervision of senior management profiles.

On the one hand, it should be noted that during this first full financial year as a separate body, the Committee analysed all the proposals for appointment and re-election of directors submitted to the shareholders at the General Shareholders' Meeting and revised the *Director Candidate Selection Policy*.

On the other hand, it analysed the latest trends regarding planning and renewal of the composition of the Board of Directors.

Finally, the evaluation also shows the Committee's dedication to the review of the group's senior management profiles in order to ensure an appropriate planning of the succession.



Remuneration

Committee

“The Committee continues working to ensure that the Company’s remuneration policy is aligned with the latest trends and with best practices in the market.”

I am pleased to present to you the section of this Report regarding the Remuneration Committee.

Following the split of the Appointments and Remuneration Committee into two different bodies in 2015, this year 2016 was the first full financial year in which this Committee operated separately, which has enabled it to address in depth and in greater detail specific remuneration-related issues.

The Committee has paid special attention to the most recent policies, recommendations, and trends in connection with the structure and amount of director and senior officer remuneration. Specifically, this year it entrusted an external expert with preparation of a comparative analysis of the remuneration of directors. The conclusions of such report were the subject of intense debate at the Committee.

The Committee also performed an assessment of the variable remuneration of the executive director and of the long-term remuneration systems for the management team, for which purpose it relied on the services of an external adviser. In addition, it analysed the adjustments in the remuneration of certain senior officers.

As part of its Training and Information Plan, the Committee conducted ongoing monitoring of the general remuneration programmes for the group's payroll. Talent is key to the success of a company, and the Committee is aware of the importance of remuneration as an essential factor to attract it and retain it.

Seven meetings were held during this financial year, with the heads of various Company divisions as well as external experts having appeared before the Committee.

Finally, in the action plan prepared as a consequence of the evaluation process, the Committee has established the goal of continuing to make progress in the area of transparency and to align the Company's remuneration policy with the latest good governance recommendations.

As chair of the Committee, I would like to emphasise the commitment of its members to the ongoing supervision of Iberdrola's remuneration systems, such that the Company's sustainability and profitability over the long-term and the group's ability to continue to attract and retain talent are all ensured.

Inés Macho Stadler
Chair of the Remuneration Committee

7a

Composition and attendance

Composition of the Committee at 31 December 2016

Position	Director	Classification	Experience in remuneration
Chair	Inés Macho Stadler	Independent	✓
Member	Íñigo Víctor de Oriol Ibarra	Other external	✓
Member	Santiago Martínez Lage	Independent	✓

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

Level of attendance of each of the members of the Committee during 2016



The Committee met on 6 occasions during 2016. After the call of these meetings, all information necessary to properly prepare for the meeting was made available to the directors through the directors' website.

Date	Place	Date	Place
01/02/2016	Madrid	18/07/2016	Bilbao
22/02/2016	Bilbao	28/11/2016	Madrid
25/04/2016	Madrid	19/12/2016	Bilbao

Resolutions adopted in writing without a meeting not shown.

7b

Activities

Key issues in 2016

Director remuneration

The Committee ensures that variable remuneration promotes the sustainability and profitability of the Company over the long term.

Director remuneration

- Proposed calculation of the executive director's variable remuneration for financial year 2015 based on the report on evaluation of objectives prepared by an independent external adviser.
- Establishment of objectives for determination of the executive director's variable remuneration for financial year 2016.
- Proposal to the Board of Directors to freeze the remuneration of executive and non-executive directors for financial year 2016.

Comparative analysis of remuneration

- Selection of the external adviser entrusted with preparation of a comparative report on the remuneration of non-executive directors and of the chairman & CEO.
- Validation of comparable companies.
- Analysis of the results of the comparative report.

Noteworthy milestone: Comparative analysis of remuneration

Remuneration of senior officers

The Committee continuously reviews the remuneration system of the Company to ensure that it attracts, retains, and motivates the most highly qualified professionals, and that this system is aligned with the strategic goals of the group.

Officer remuneration

- Review and submission to the Board of Directors, at the proposal of the chairman & CEO, of a proposal for adjustments in the remuneration of certain senior officers.
- Evaluation of compliance with the objectives for 2015 and calculation of the variable remuneration of senior officers in 2015.
- Establishment of the fixed remuneration of senior officers for financial year 2016.
- Validation of the conditions triggering the accrual of the Strategic Bonus 2011-2013 and proposed calculation of the third payment.
- Commencement of the assessment of the level of compliance with the Strategic Bonus 2014-2016.
- Commencement of the discussion on the characteristics of a possible Strategic Bonus 2017-2019.

Noteworthy milestone: Adjustment in remuneration of officers due to reorganisation

Transparency and operation of the Committee

The Committee is heavily committed to transparency.

Training

- Review of remuneration trends.

Evaluation process

- Evaluation of the Committee with the advice of an external expert.

Publication of information

- Approval of activities report of the Committee.
- Report to the Board on the *Annual Director Remuneration Report for Financial Year 2015* and to the Corporate Social Responsibility Committee on the sections of the *Annual Corporate Governance Report* within the purview of the Committee.
- Report to the Board on the remuneration of the directors and senior officers set out in the quarterly and annual financial information.

Noteworthy milestone: Review of remuneration trends

Appearances

Both officers of the Company and external experts appeared before the Committee during financial year 2016.

Division	Ongoing	One-time
Chairman & CEO	✓	
Secretary of the Board of Directors	✓	
Human Resources		✓
External experts		✓

Training

The Committee has a Training and Information Plan that includes training sessions held during Committee meetings.

Three training sessions were held during the meetings of the Committee in financial year 2016, regarding the following topics:

- Remuneration trends.
- Comparative analysis of director remuneration.
- Changes in the general remuneration programmes for the group's payroll.

7c

Evaluation

The evaluation has shown the continuous progress made by the Committee in three key areas: (i) analysis of director remuneration, (ii) study of trends in remuneration policy for executive directors, and (iii) supervision of remuneration programmes for the group's payroll.

Particularly noteworthy is the support sought by the Committee from external experts in order to compare key aspects, as is the case with the comparative analysis of director remuneration at other companies in the market.

In addition, the Committee had officers of the Company appear before it to analyse the latest remuneration trends, in order to continue ensuring that the remuneration policy remains in line with good market practices.

Finally, the evaluation shows the dedication of this Committee to the analysis of the general remuneration programmes for the group's payroll, which is also a significant matter among those within the purview of the Committee.

8

Corporate Social Responsibility Committee

“The Committee supports the Board of Directors in the definition, transmission, and monitoring of the corporate culture, in order for the ethical behaviour of the Company’s workforce to be permanently aligned with the *Mission, Vision, and Values of the Iberdrola group.*”

I am pleased to present to you the section of this Report regarding the Corporate Social Responsibility Committee.

The Committee wishes to note that an important achievement this financial year was the inclusion of the *Mission, Vision, and Values of the Iberdrola group* in the Corporate Governance System and in the Company's strategy. This had a significant impact on the corporate culture, as shown, for example, by the ethical culture survey and by its recognition by shareholders, investors, and other stakeholders. The efforts leading to the *Mission, Vision, and Values of the Iberdrola group* continuing to guide activities across the group must be renewed over the next years, but the solid foundations laid during this financial year 2016 provide an excellent basis for the attainment of this purpose.

The Committee persevered in the performance of its customary duties, closely monitoring compliance with the Reputation and Corporate Social Responsibility Plans and the training processes for both officers and employees of the group and the Committee itself. The best practices adopted by large international companies were taken into account during such process.

Among the varied and complex issues that the Committee dealt with in 2016, especially

noteworthy is the question of information regarding cyber-security actions as an essential tool to protect corporate reputation, as well as the promotion of action protocols in cases of significant reputational impact.

In addition, as regards the monitoring of the activities of the Compliance Unit, which is one of the Committee's priority tasks, I would like to note the appropriate structuring and effective implementation of the crime prevention programmes, which has entailed a remarkable organisational and logistic effort and allows us to have in place a robust and effective mechanism of prevention.

Finally, as a consequence of its evaluation, the Committee's future action plan contemplates keeping a continued focus on critical issues, especially corporate culture, the relation with stakeholders, and corporate reputation, as well as the alignment thereof with the Company's strategy and its regulatory framework.

In conclusion, it can be asserted that this financial year 2016 showed the importance of ethical principles in day-to-day corporate activities and the recognised efficiency of the Company's professionals in disseminating and adhering to them.

Samantha Barber
Chair of the Corporate Social Responsibility Committee

8a

Composition and attendance

Composition of the Committee at 31 December 2016

Position	Director	Classification	Experience in CSR/corporate governance
Chair	Samantha Barber	Independent	✓
Member	Braulio Medel Cámara	Independent	✓
Member	Manuel Moreu Munaiz	Independent	✓

Fernando Bautista Sagüés is the secretary of this committee.

Degree in Law and degree in Economics and Business Sciences.

Currently practising as an independent attorney specialising in the provision of strategic legal advice on Corporate and Financial Law.

Level of attendance of each of the members of the Committee during 2016



The Committee met on 11 occasions during 2016. After the call of these meetings, all information necessary to properly prepare for the meeting was made available to the directors through the directors' website.

Date	Place	Date	Place
26/01/2016	Madrid	18/07/2016	Bilbao
17/02/2016	Madrid	13/09/2016	Madrid
22/02/2016	Bilbao	14/10/2016	Madrid
15/03/2016	Madrid	15/11/2016	Madrid
25/04/2016	Madrid	19/12/2016	Bilbao
14/06/2016	Madrid		

Resolutions adopted in writing without a meeting not shown.

8b

Activities

Key issues in 2016

Corporate social responsibility

The Committee has supervised the activities of the Company regarding corporate social responsibility, sustainability, innovation, employment, satisfaction, and diversity.

Corporate Social Responsibility and stakeholders

- Ongoing review of the level of implementation of the Corporate Social Responsibility Plan 2015-2017.
- Monitoring of the stakeholder relations model, developed with the support of an external adviser.
- Analysis of the Company's activities in the area of employment, safety, satisfaction, diversity, integrity, non-discrimination, equality, reconciliation, accessibility, and mobility.

Sustainability and entities in the nature of foundations

- Monitoring of the Company's activities in connection with environmental and climate change matters and the impact thereof on the Company's innovation efforts. The Committee was informed of the inclusion of the Sustainable Development Goals in Iberdrola's strategy.
- Supervision of the activities of entities in the nature of foundations related to the group.

Corporate reputation

The Committee has reviewed the activities of the Company in the area of cyber-security and the protocols for action in cases having reputational impact.

- Ongoing review of the level of implementation of the Corporate Reputation Plan 2015-2017.
- Monitoring of the Company's activities in connection with Reputation and Brand, especially as regards the protocols for action in cases having significant reputational impact.
- Analysis of the Company's presence on reputation indices like Reprtrak.
- Analysis of the Company's strategy in the area of cyber-security as an essential tool to protect reputation.

Noteworthy milestone: Monitoring of the stakeholder relations model

Corporate governance and compliance

The Committee has promoted and reviewed the Company's corporate governance strategy.

Corporate governance

- Acknowledgement of the amendments to the Company's Corporate Governance System, especially in connection with responsible communication and reputation.
- Monitoring of the latest corporate governance trends.

Compliance

- Analysis of the report prepared by an external expert on the revision of the group's crime prevention plan, in which possible improvements were identified for implementation.
- Report on proposed amendment of the *Code of Ethics*.
- Acknowledgement of the *Annual Report on Level of Compliance with the Code of Ethics*.
- Analysis of the conclusions of the ethical culture survey carried out by the Company.

Transparency and operation of the Committee

The Committee has submitted to the Board the reports on the annual publications of the Company.

Evaluation process

- Evaluation of the Committee with the advice of an external expert.
- Approval of activities report of the Committee.
- Report to the Board on the *Annual Corporate Governance Report*, the *Sustainability Report*, the *Integrated Report*, and the *Annual Report on Compliance with Legal Provisions on the Separation of Regulated Activities of the Iberdrola group*.

Noteworthy milestone: Analysis of the Company's cyber-security strategy

Appearances

Both officers of the Company and external experts appeared before the Committee during financial year 2016.

Division	Ongoing	One-time
Reputation and Brand	✓	
Compliance Unit	✓	
Secretary of the Board of Directors	✓	
Stakeholders	✓	
Legal Services		✓
Energy Policies and Climate Change		✓
Innovation		✓
Human Resources		✓
Entities in the nature of foundations		✓
Cyber-security and data protection		✓
Corporate Social Responsibility		✓
External experts		✓

Training

The Corporate Social Responsibility Committee has a Training and Information Plan that includes training sessions held during Committee meetings.

Three training sessions were held during the meetings of the Committee in financial year 2016, regarding the following topics:

- Sustainability, Leadership, Trends and Practice.
- Corporate cyber-security.
- Best Practices in CSR and Corporate Governance in USA.

8c

Evaluation

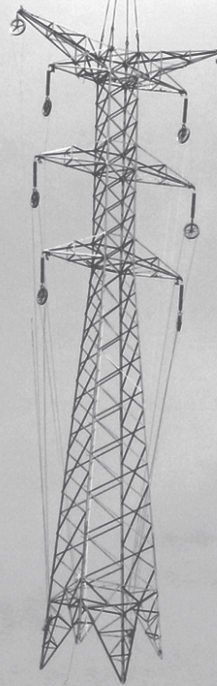
The evaluation process reveals the progress made this year primarily in connection with three aspects relating to this Committee: (i) its composition, (ii) the training of its members, and (iii) monitoring of the Company's activities and of international trends in matters within its purview.

On the one hand, following the classification of Manuel Moreu Munaiz as an independent director, the Committee is made up entirely of independent directors.

On the other hand, the Committee continued working on the training of its members by holding various training sessions led by well-known external experts and by group officers on matters that are key to the group, such as sustainability and corporate governance trends in the USA and cyber-security.

Finally, the Committee continued to review the Company's performance and the latest trends in significant matters within its purview, such as corporate culture, social responsibility, sustainability, corporate reputation, and corporate governance, relying when necessary on the support of external experts.

Installation of a new power
line with helicopters
/ Spain
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