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Director Candidate Selection Policy

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DIRECTOR CANDIDATE SELECTION POLICY

The Board of Directors of IBERDROLA, S.A. (the “**Company**”) believes that one of the pillars of its corporate governance strategy is transparency in all its activities, including the process for selecting candidates for director.

Therefore, the Board of Directors has approved this *Director Candidate Selection Policy*, which is a public, specific, and verifiable policy ensuring that the proposals for appointment of directors of the Company are based on a prior analysis of the needs of the Board of Directors.

1. Scope of Application

This *Director Candidate Selection Policy* shall be applicable to the selection of candidates for director of the Company who are individuals.

In the case of candidates for director of the Company that are legal entities, the provisions of this *Director Candidate Selection Policy* shall also apply to the individuals representing them.

Without prejudice to the foregoing, individuals shall be favoured as candidates for director.

2. Aims in Selecting Candidates

The selection of candidates for director shall start with an analysis of the needs of the Company and of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “**Group**”), and which must be carried out by the Board of Directors with the advice and report of the Appointments Committee.

It shall also target persons who satisfy the conditions set forth in section 4 below and whose appointment favours diversity of knowledge, experience, origin, nationality, and gender within the Board of Directors.

The *Director Candidate Selection Policy* shall endeavour to ensure that the number of female directors continues to account for at least thirty per cent of the total number of members of the Board of Directors by the year 2020.

3. Selection Process. Sources for the Identification of Candidates

Performing duties as a director of the companies of the Group, especially the country subholding companies and head of business companies, provides a deep understanding of the businesses and internal operations of the Group, which facilitates the rapid inclusion of the persons holding such positions into the dynamics of the operations of the Company's Board of Directors.

In turn, it provides first-hand knowledge of their skills, work capacity, commitment to the position, and potential to provide value to the board to which they belong.

For all these reasons, the independent directors of the companies of the Group are one of the main sources to identify potential candidates as directors of the Company.

In addition, any director may suggest candidates for director provided that they meet the requirements established in this *Director Candidate Selection Policy*.

Finally, the Company may also rely on the cooperation of external advisers in the validation of candidates for director.

In any event, the process of selecting candidates shall be free from any implied bias entailing any kind of discrimination, and, in particular, that hinders the selection of female directors.

4. Conditions to Be Satisfied by the Candidates

The candidates for director of the Company must be respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability, and commitment to their duties.

In particular, they must be irreproachable professionals, whose professional conduct and background is aligned with the principles set forth in the *Directors' Code of Ethics* and with the corporate values contained in the *Mission, Vision, and Values of the Iberdrola group*.

In addition, the selection of candidates shall endeavour to ensure that a diverse and balanced composition of the Board of Directors as a whole is achieved, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters within its power. To this end, the selection process shall promote a search for candidates with knowledge and experience in the main countries and sectors in which the Group does or will do business.

5. Ineligibility as Candidate for Director

By way of guidance, the appropriateness shall be considered of candidates for director generally not exceeding the age of seventy years.

Those persons or entities that have incurred legal grounds for disqualification from the holding of their position, fail to meet any of the requirements to be a director established in the Corporate Governance System and, in particular, the following, shall be ineligible as candidates for director:

- a) Domestic or foreign companies competing with the Company in the energy industry or other industries, or the directors or senior officers thereof, or such persons, if any, as are proposed by them in their capacity as shareholders. For clarification purposes, the companies of the Group shall not be deemed competitors of the Company.
- b) Individuals or legal entities serving as directors in more companies than are permitted under the provisions of the *Regulations of the Board of Directors*.
- c) Persons who, during the two years prior to their appointment, have occupied high-level positions in Spanish government administrations that are incompatible with the simultaneous performance of the duties of a director of a listed company under Spanish national or autonomous

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community law, or positions of responsibility with entities regulating the energy industry, the securities markets, or other industries in which the Group operates.

In the case of candidates who have held high-level positions in the governments of other jurisdictions that are incompatible with the simultaneous performance of the duties of a director of a listed company, the Appointments Committee must take appropriate action to verify that the holding of such positions does not entail an impediment to the potential appointment of the candidate as a director.

- d) Individuals or legal entities that are under any other circumstance of disqualification or prohibition governed by provisions of a general nature, including those that have interests in any way opposed to those of the Company or the Group.

This Director Candidate Selection Policy was initially approved by the Board of Directors on 25 March 2015 and was last amended on 6 April 2016.

