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Shareholder Engagement Policy

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Take care of the environment.
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SHAREHOLDER ENGAGEMENT POLICY

The Board of Directors of IBERDROLA, S.A. (the “Company”) approves this *Shareholder Engagement Policy* in order to encourage the engagement of its shareholders in certain areas of the life of the Company.

The *Shareholder Engagement Policy*, which further develops the vision and values of the Company in matters of corporate governance and is one of the main pillars of its strategy in this area, lays down the principles that must govern the two-way interaction with its shareholders, with due respect for the principle of equal treatment of all shareholders in the same situation and with appropriate guarantees designed to avoid the transmission of information that might give some shareholders a privilege or advantage vis-à-vis other shareholders or that might damage the corporate interest.

The approval of this *Policy* completes and further develops the framework of relations between the Company and its shareholders, the basis for which is set out in the *Policy regarding the Provision of Information to and Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors*, which guarantees transparency in the provision of information to the shareholders.

1. Principles

The *Shareholder Engagement Policy* rests upon the following principles:

- a) A proactive search for two-way interaction with the Company's shareholders in order to encourage their engagement in corporate life and forge a sense of belonging, maintaining a constructive, ongoing, and effective dialogue with them that helps align their interests and those of the Company.
- b) The ultimate purpose of shareholder engagement in corporate life is to enable the Board of Directors, which is vested with management and representation of the Company, to become apprised of the shareholders' opinions and concerns in the areas of corporate governance and social responsibility, in order to take them into account in the discharge of its duties in furtherance of the corporate interest.
- c) The main channel for shareholder participation is the General Shareholders' Meeting. Without prejudice thereto, the Company establishes other channels that, without detracting from the powers of the shareholders at such Meeting, may promote effective shareholder engagement in the life of the Company.
- d) All shareholder relations must abide by the principle of equal treatment regarding recognition and exercise of rights accruing to all shareholders that are in the same situation and that are not affected by conflicts of duties or interest.
- e) In all instances of contact between the Company and the shareholders, appropriate measures shall be adopted in order to avoid the transmission of information that might give them a privilege or advantage vis-à-vis other shareholders or that might damage the corporate interest.
- f) The function of interaction with the shareholders falls within the exclusive purview of the Board of Directors, acting collectively, and of the chairman & chief executive officer thereof, to whom all powers in this regard have been delegated.
- g) Both the Board of Directors and the chairman & chief executive officer thereof may delegate the exercise of this function to such Company professionals as they deem advisable in order for them to manage and promote the effective operation of the channels for shareholder participation.
- h) The Board of Directors and the chairman & chief executive officer thereof may entrust the coordinating director or the other members of the Board of Directors with interaction with specific shareholders regarding specific issues relating to the Company's corporate governance. The directors shall have such power only upon delegation from the Board of Directors.
- i) Except as provided in paragraph h) above, the directors do not constitute a valid channel for participation, and therefore, they have neither the duty nor the power to interact with the shareholders.
- j) In order to implement this *Shareholder Engagement Policy*, the Company will make use of new technologies allowing for the establishment of effective and fruitful dialogue with the largest possible number of shareholders.
- k) The Company shall adopt such measures as are needed to ensure due coordination between the initiatives undertaken by the Company under this *Shareholder Engagement Policy* and the implementation of the *Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors*.
- l) This *Shareholder Engagement Policy* shall be applied by taking into account the provisions of law and those contained in the Corporate Governance System and, in particular, in the *Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors*, the *Regulations of the Board of Directors*, the *Internal Regulations for Conduct in the Securities Markets*, the *Code of Ethics*, the *Procedure for Conflicts of Interest and Related-Party Transactions with Directors, Significant Shareholders, and Senior Officers*, and the *Internal Rules for the Processing of Inside Information*.

2. Areas of Engagement

Except as provided by law and in the Corporate Governance System, shareholder engagement under the provisions of this *Shareholder Engagement Policy* shall be limited to the areas of corporate governance and social responsibility of the Company, both in Spain and in the other countries in which it has a presence.

Shareholder engagement in the Company shall in no event serve as a cover for conduct that is contrary to the corporate interest or that seeks the fulfilment of personal and individual interests not aligned therewith.

3. Channels for Engagement

The Company has the following channels for shareholder participation therein, by means of which their involvement is encouraged in the areas of engagement.

Outside such channels and the other general channels for the provision of information and for communication contemplated in the *Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors*, the interaction between the Company and the shareholders falls within the exclusive purview of the Board of Directors, acting collectively, and of the chairman & chief executive officer thereof, who delegate the conduct of part of such activities to the Office of the Secretary of the Board of Directors and the Finance and Resources Division, either directly or through the Investor Relations Division.

3.1 General Shareholders' Meeting

The General Shareholders' Meeting is the main channel for shareholder participation in corporate life. It is held within the framework of Shareholder Day, during which various presentations are made and activities are carried out in order to bring the Company closer to the shareholders and foster a constructive dialogue with them. Its organisation complies with the provisions of the *Sustainability Policy* as regards the sustainable management of events.

In addition to encouraging the informed and responsible participation of the shareholders at the General Shareholders' Meeting as provided in the *Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors*, the Board of Directors shall promote two-way interaction with the shareholders through the other participation channels.

The purpose of the foregoing is to enable the Board of Directors to become apprised of the opinions and concerns of the shareholders, such that it may take them into account upon drawing up the agenda, preparing the proposed resolutions, and making decisions regarding the other details and circumstances in connection with the holding of the General Shareholders' Meeting.

Furthermore, the Board of Directors shall actively promote shareholder attendance at the General Shareholders' Meeting and the possibility of shareholder participation therein, pursuant to the provisions of law and the Corporate Governance System. For such purposes, it shall facilitate access to the documents in connection with the General Shareholders' Meeting and the understanding of the information relating to the matters to be addressed therein. It may also carry out other proactive actions designed to encourage maximum participation of the shareholders, such as telephone information campaigns.

On the day that the Annual General Shareholders' Meeting is held, the Company may organise informal meetings between Company representatives and shareholders. The Board of Directors, the chairman & chief executive officer, the coordinating director, or the professionals to whom the exercise of the function of interaction with shareholders has been delegated shall prepare in advance such instruments as may be needed to ensure a fluid and productive dynamics at such meetings.

Financial institutions acting as intermediaries, managers, and depositaries of the Company's shares have the duty to inform the holders of shares regarding the rights they are entitled to exercise, as well as the duty to adopt any measures required to ensure that the shareholders or any third parties designated by them may exercise such rights personally when they so deem advisable and to take responsibility for the fact that the instructions they transmit to the Company on behalf of their customers are valid and faithfully correspond with those received from the holders of the shares.

The purpose of all of the foregoing is to enable the Board of Directors, within the framework of the corporate interest, to take into account the intent of the shareholders, as expressed through their vote and their presentations during the General Shareholders' Meeting, when the Board of Directors designs the Company's strategy and, in particular, when it prepares any applicable amendments of the *Corporate Policies*.

Finally, information shall be provided at the General Shareholders' Meeting regarding the activities carried out by the Company in implementation of the provisions of this *Shareholder Engagement Policy*. Information shall also be provided, through such person as is designated to this end, regarding the main proposals or concerns in connection with corporate governance and the social responsibility strategy that have been reported through the channels for engagement.

3.2 Meetings through the OLS – On-Line Shareholders Interactive System

The interactive system (OLS – On-Line Shareholders) available on the corporate website will allow the shareholders (who may access with their user name and password) not only to view and request the information set forth in the *Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors* but also to actively participate in meetings to be held electronically with Company representatives designated by the Board of Directors or by the chairman & chief executive officer thereof, regarding corporate governance and other matters that are significant for corporate life and which have an impact on stakeholders and on the communities and territories in which the Company operates.

The Company may set an annual schedule of electronic meetings of Company representatives with shareholders who have registered with the OLS interactive system, setting forth the matters to be dealt with at each meeting.

All shareholders who have registered with the OLS interactive system may participate in the electronic meetings, which will be moderated by a representative of the Office of the Shareholder.

3.3 Relations with Shareholder Associations and Institutional Shareholders

The Company acknowledges the importance of shareholder associations as a suitable vehicle for representation of minority shareholders and for transmission of their opinions and concerns regarding the Company's corporate governance and social responsibility strategy, and appreciates the existence thereof.

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In addition, the existence of institutional shareholders having a stable and continuous presence in the Company's shareholder base is welcome to the extent it may allow for the creation of sustained value in the medium and long term and the establishment of firm mutual bonds of loyalty that do not give rise to conflicts of duties or interest.

Without prejudice to the meetings or other contacts promoted by the Company, both shareholder associations and institutional shareholders may request, through the Investor Relations Division, the holding of meetings with Company representatives designated by the Board of Directors or by the chairman & chief executive officer thereof, setting forth the specific matters to be addressed therein.

The Company will review such requests and will accommodate them when it so deems appropriate and provided that, in so doing, the provisions of this *Shareholder Engagement Policy* are not breached.

In the event that the Company agrees to hold a meeting with a shareholders association or with one or more institutional shareholders, the Board of Directors or the chairman & chief executive officer thereof shall designate, at a minimum, two representatives of the Company, who shall be informed of the specific matters to be dealt with and with whom the content of and the information that may be provided at such meeting shall be agreed, in order to avoid the transmission of information that might entail the granting of a privilege or advantage vis-à-vis the other shareholders or that might damage the corporate interest.

In addition to the foregoing, the Board of Directors or the chairman & chief executive officer thereof may develop long-term engagement plans with shareholder associations and with those institutional shareholders that express their intent to have a stable and continued presence in the Company and may thus establish appropriate mechanisms for communication regarding the operations of the Company.

The Company shall provide information regarding the meetings to be held and the establishment of any engagement plans or communication mechanisms as provided in section 4 below.

3.4 Events Organised by the Shareholders' Club

The Shareholders' Club actively encourages two-way interaction between the Company and the shareholders who voluntarily join such Club and are interested in such interaction.

For such purpose, it organises events in which its members are invited to participate and during which Company representatives and, on occasion, other notable persons, exchange viewpoints with the shareholders and discuss matters relating to corporate governance and the social responsibility strategy pursued by the Company.

3.5 Awareness-raising and Involvement Workshops

The Company organises subject-specific, face-to-face awareness-raising and involvement workshops, which are open to the public at large and in which shareholder participation is encouraged, debate is promoted, and information is provided on matters concerning the activities carried out by the Company, primarily in connection with its social responsibility strategy.

Specifically, the Office of the Shareholder regularly invites the shareholders who have voluntarily entered their names in its database to take part in such workshops.

4. Dissemination

The Company shall disseminate through the corporate website and social media all activities intended to seek shareholder engagement in the life of the Company that are conducted in implementation of the provisions of this *Shareholder Engagement Policy* and are directed to all shareholders.

Furthermore, the Company shall publish on the corporate website an annual report on the practical application of this *Shareholder Engagement Policy* and of the *Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors*, including information regarding the relations maintained with associations of shareholders and institutional shareholders and on other activities carried out through the participation channels described above (other than the General Shareholders' Meeting).

5. Coordination of Participation Activities and with the *Policy regarding the Provision of Information to and Communication with Shareholders and the Markets*

All activities carried out through the participation channels described above and, specifically, the content of the information provided to the shareholders within the framework of such activities, shall be properly coordinated with the content of the information provided and the communications made by the Company pursuant to the *Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors*.

The Office of the Shareholder shall be the internal body within the Company responsible for such coordination. For such purpose, the Office of the Shareholder shall rely on the support of the Finance and Resources Division or of the Office of the Secretary of the Board of Directors when such support is required by the circumstances.

Additionally, the Investor Relations Division shall periodically report to the chairman of the Board of Directors & chief executive officer regarding the conduct of the activities carried out in implementation of the provisions of this *Shareholder Engagement Policy*. The chairman of the Board of Directors & chief executive officer shall in turn report thereon to the Board of Directors or to the Executive Committee at such intervals as he deems appropriate.

This *Shareholder Engagement Policy* was initially approved by the Board of Directors on 17 February 2015 and was last amended on 23 February 2016.