

# **GUIDE FOR THE SHAREHOLDER**

This “Guide for the Shareholder” is intended to provide answers to important questions that all shareholders of Iberdrola Renovables, S.A. should be aware of in order to understand the scope and mission of the Audit and Compliance Committee.

### Why do we need an Audit and Compliance Committee?

On the occasion of the Initial Public Offering and the application for admission to listing of the shares of Iberdrola Renovables, S.A. (hereinafter, “**IBERDROLA RENOVABLES**” or the “**Company**”) on the Spanish Stock Exchanges, which took place between November 23 and December 11, 2007, the Company undertook a number of changes in both its corporate decision-making bodies and its internal regulations in order to adapt to the good governance rules and recommendations applicable to listed companies in Spain.

Within this process of change and adaptation, on November 5, 2007, the Board of Directors of IBERDROLA RENOVABLES created the Audit and Compliance Committee as a permanent internal body of the Board, having supervisory, informational, advisory and proposal-making duties within its scope of activity.

The creation of these Committees within the Boards of Directors of listed companies has been mandatory since the entry into force of Financial System Reform Measures Law 44/2002, of November 22. Article 38 of the By-Laws of IBERDROLA RENOVABLES, dealing with the Audit and Compliance Committee, contains the prescriptions set forth in such Law.

In addition, the “Unified Good Governance Code” approved by the National Securities Market Commission [*Comisión Nacional del Mercado de Valores*] (C.N.M.V.) in May 2006 ratified the role of audit committees in the corporate governance of listed companies. Thus, as regards the powers of the Audit and Compliance Committee, both the By-Laws and the Regulations of the Board of Directors of IBERDROLA RENOVABLES are aligned with the recommendations set forth in such Code.

### Who are the members of the Committee? How is the independence of its members assured?

The Audit and Compliance Committee is an internal body of the Board of Directors, and as such, it is made up of a minimum of three and a maximum of five directors of the Company. At present, there are three members on the Committee.

The By-Laws and the Regulations of the Board of Directors of IBERDROLA RENOVABLES favor the independent operation of the Committee and provide, among other things, that it shall consist of external directors who are not members of the Executive Committee, and that its Chairman must be one of the independent members of

the Committee, with sufficient abilities and availability to provide greater dedication to the Committee than the rest of its members.

The profiles of each of the Committee members included in this Report ensure the expertise and experience in accounting, auditing and risk management that are required to fulfill the duties that they are being called upon to perform.

### What are the responsibilities of the Committee?

Pursuant to the provisions of Article 38 of the By-Laws and Article 25 of the Regulations of the Board of Directors, the Committee shall in all cases be responsible for the following:

- Report to the shareholders at the General Shareholders' Meeting with respect to matters raised by shareholders regarding its powers.
- Propose to the Board of Directors the appointment of the Auditors of the Company for submission to the shareholders at the General Shareholders' Meeting.
- Supervise the management of the Internal Audit Area, which reports to the Chairman of the Audit and Compliance Committee.
- Know the process for gathering financial information and the internal control systems associated with the Company's significant risks.
- Receive information from the Auditors regarding matters that might jeopardize the independence thereof and are related to the auditing procedure, and generally regarding any other information provided for in legislation regarding the auditing of financial statements and in the technical auditing standards in effect at any time.
- Report in advance on the Company's annual corporate governance report and ensure compliance with legal requirements and those of the Codes of Professional Conduct and Good Governance adopted by the Board of Directors.
- Report in advance to the Board of Directors regarding:
  - (i) the matters for which it is responsible as set forth in Title IX of the Regulations of the Board of Directors; and

(ii) the financial information that the Company must make public from time to time due to its status as a listed company; the Committee must ensure that the interim financial statements are prepared using the same accounting standards as the annual financial statements and, for such purpose, must consider whether a limited review of the external auditor is appropriate.

- Report to the Board of Directors, prior to the adoption thereby of the corresponding decision, regarding the creation or acquisition of equity interests in special purpose vehicles or entities domiciled in countries or territories that are considered tax havens, as well as any other similar transactions or operations that, due to the complexity thereof, might diminish the transparency of the IBERDROLA RENOVABLES Group.
- Report on proposals to amend the Regulations of the Board of Directors.
- Such other items that may be attributed thereto by the By-Laws, the Regulations of the Board of Directors or the Board of Directors itself.

#### **When does it meet? How does the Committee work?**

The reports and recommendations submitted by the Committee to the Board of Directors of IBERDROLA RENOVABLES are the product of:

- Discussions among members at Committee meetings;
- Reviews conducted by the Internal Audit Division at the request of the Chairman of the Committee;
- The meetings held by the Chairman of the Committee with the CEO and with the Directors of IBERDROLA RENOVABLES, and their appearances before the full Committee;
- Ongoing communication with the Auditor as well as appearances thereof before the full Committee.

The Committee has met a total of 10 times during fiscal year 2008, which is more than double the minimum frequency established by the regulations, and it has maintained direct contact with the internal and external auditors and with the Company's executives in order to ensure that it is duly informed regarding the matters for which it is responsible.

#### **What is the Activities Report?**

This Report sums up the activities performed by the Committee during 2008 in its different fields of action, among which the following are worth noting:

- Supervision of the process of **preparation and of the integrity of the economic and financial information published by the Company**, promoting the implementation of an internal process for certifying annual and semi-annual financial information and recommending the performance of a limited review of the semi-annual information by the Auditor.
- Monitoring of the **Comprehensive Risk System** formalized by the Company in 2008 in order to verify that the principal risks of the business have been identified and that they are properly managed.
- Ratification of the appointment of the person in charge of the **Internal Audit Division** and supervision of the activities carried out during 2008.
- Determination of the **framework of relations with the Group's Auditor**, supervising the activity thereof and ensuring its independence.
- Review of the level of compliance with the **recommendations of the "Unified Good Governance Code,"** promoting the launch within the Group of a Communications Channel with the Chairman of the Committee that allows employees to confidentially communicate possibly significant irregularities, especially financial and accounting irregularities.

#### **Who is this Activities Report intended for?**

It is essentially for the shareholders of IBERDROLA RENOVABLES, to whom it is made available for purposes of the call to the Ordinary General Shareholders' Meeting.

This Report, distributed in Spanish and English to investors, analysts, regulatory entities, etc., is also available on IBERDROLA RENOVABLES' website ([www.iberdrolarenovables.com](http://www.iberdrolarenovables.com)) in the "shareholders and investors" section.

#### **What is the reason for the publication of the Activities Report?**

The annual publication of this Activities Report is an initiative adopted voluntarily by IBERDROLA RENOVABLES and set forth in its By-Laws, as part of its commitment to transparency and "Good Governance."

**What can this Report offer the IBERDROLA RENOVBLES shareholder?**

The annual publication of this Activities Report is part of IBERDROLA RENOVBLES' policy of maximum transparency regarding the rules and operation of its governance bodies. A careful reading of the Report gives an insight into how the Audit and Compliance Committee works and the activities that it carries out each year.

The efficient operation of the Audit and Compliance Committee offers the shareholder an additional assurance that the Board of Directors supervises the significant risks of the business with the utmost transparency, self-discipline and rigor.

By assessing the efficiency of the Internal Control System, the Committee contributes to the achievement of IBERDROLA RENOVBLES' strategic objectives. Although an efficient Internal Control System does not guarantee per se that the objectives will be met, it does ensure that the Company's Management will make controlled decisions which are commensurate with the guidelines and standards established by the Board of Directors of IBERDROLA RENOVBLES.