

Activities report of the
Audit and Compliance
Committee

2008



 IBERDROLA
RENOVABLES



IBERDROLA
RENOVABLES



Activities report of the
Audit and Compliance Committee of the
IBERDROLA RENOVABLES 2008

for Fiscal Year 2008 submitted at its meeting of January 26, 2009 and approved by the Board of Directors of Iberdrola Renovables, S.A. on February 24, 2009, pursuant to the provisions of Article 38.4 of the By-Laws and Article 26.5 of the Regulations of the Board of Directors.



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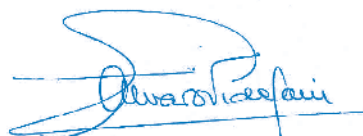
INTRODUCTION

It gives me great satisfaction to submit to the Board of Directors the Activities Report of the Audit and Compliance Committee of Iberdrola Renovables, S.A. for fiscal year 2008, of which Committee I am honored to be the Chairman.

During this fiscal year, the first complete year of activity for this Committee, we have put particular emphasis on the work of supervision and control entrusted to us by the Company's Board of Directors, promoting the implementation of a comprehensive risk management system, reviewing the economic and financial information of Iberdrola Renovables, S.A. and its consolidated Group, working to ensure the strict independence of the external auditors, and supervising the implementation of corporate governance best practices.

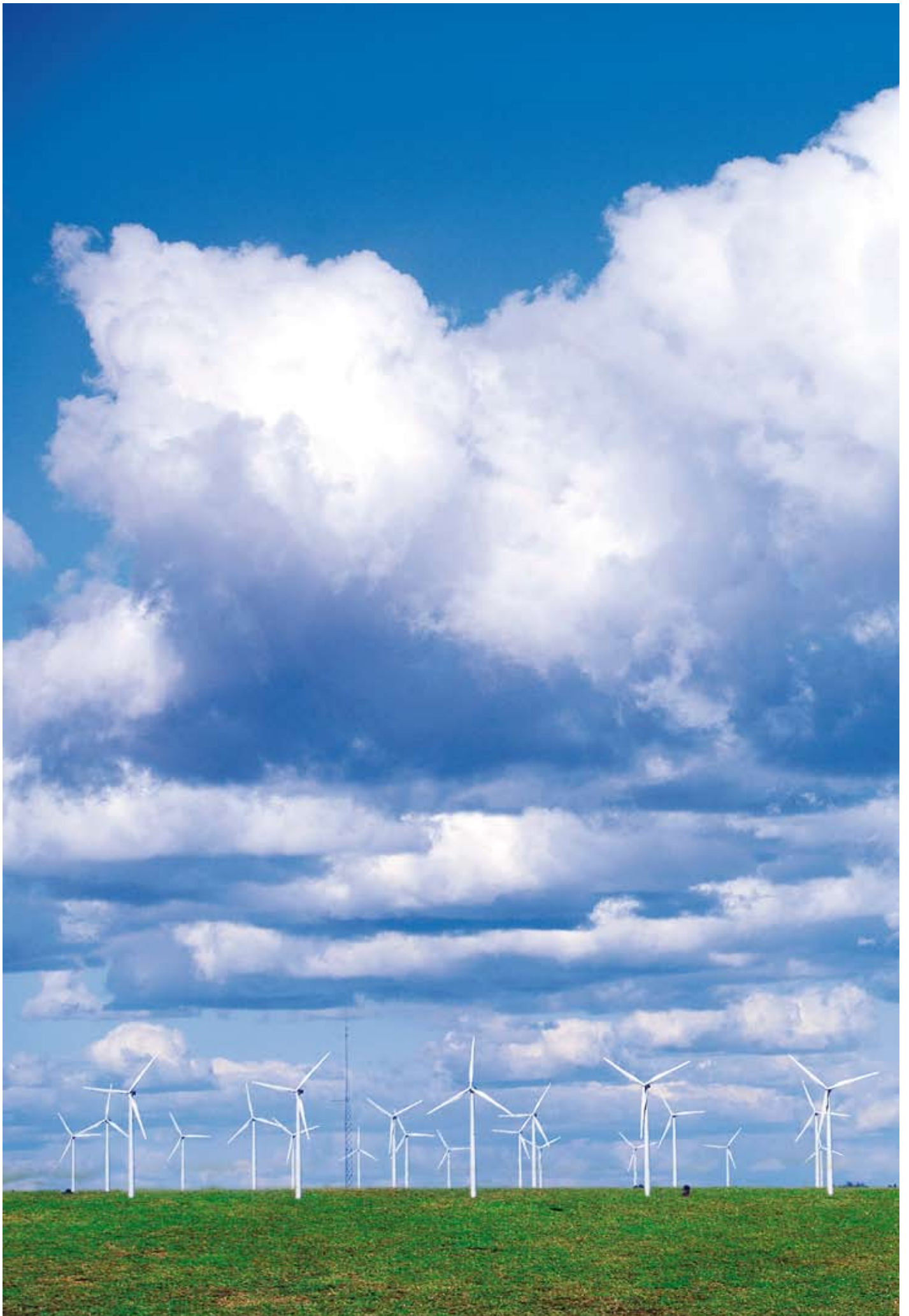
Within the framework of implementing best practices, I would like to point out the creation during this fiscal year of the Internal Audit Division, a key function that contributes to the supervision of the internal control and significant risk management systems of Iberdrola Renovables, S.A. and its Group.

I cannot finish without recommending a reading of this Report or thanking my colleagues on the Committee, Javier Sánchez-Ramade Moreno and Jose Luis San-Pedro Guerenabarrena, for their invaluable work and for the support that they have given this Committee.



Álvaro Videgain Muro
Chairman of the Audit and
Compliance Committee





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) 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.





AUDIT AND COMPLIANCE COMMITTEE 2008

1. Composition
2. Profiles of Committee Members
3. Statement of independence
4. Highlights

1. COMPOSITION

CHAIRMAN

Mr. Álvaro Videgain Muro

MEMBERS

Mr. Javier Sánchez-Ramade Moreno
Mr. José Luis San Pedro Guerenabarrena*

* Member and Secretary

Following the recommendations established in the “Unified Good Governance Code,” which are reflected in the By-Laws and in the Regulations of the Board of Directors of the Company, the Committee is made up exclusively of external directors, none of whom belong to the Executive Committee. The position of Chairman of this Committee is held by an independent director.

Likewise, and with a view to ensuring the better performance of the duties they are called upon to perform, the Regulations of the Board of Directors provide that the Board shall seek to ensure that Committee members, and particularly its Chairman, have the proper expertise and experience in accounting, auditing and risk management.

There were no changes in the composition of the Audit and Compliance Committee during fiscal year 2008.

2. PROFILES OF COMMITTEE MEMBERS

Below are the professional profiles of the members of the Audit and Compliance Committee:

Mr. Álvaro Videgain Muro

Degrees in Economics and Law from Universidad de Deusto.

In 1981 he joined Tubacex, S.A., where he served successively as Export Manager and Assistant General Manager, with responsibility for the Commercial and Marketing Divisions. In 1992 he was appointed Chief Executive Officer of Tubacex, S.A.

He is currently the Chairman & CEO of Tubacex, S.A., a Director of Sener, S.A. and of IMQ, S.A., a member of the Advisory Committee of Mercapital, S.L. as well as of the APD Norte Council and the Deusto Business School Council.

Chairman of the *Círculo de Empresarios Vascos* and Vice Chairman of Innovasque.

2. PROFILES OF COMMITTEE MEMBERS

Mr. Javier Sánchez-Ramade Moreno

Commercial professor of Corporate Administration and Management, Masters Degree in Business Administration (Instituto Internacional de San Telmo), and Masters Degree in Budget Management (Universidad Complutense de Madrid).

He has been involved in business activities since a young age as part of the Sánchez-Ramade Group.

In 1979, he became responsible for the analytic implementation of the various departments of the Group. Later, he was appointed to head the Marketing area of Urende, S.A. until 1990, when he was appointed CEO of Urende, S.A. and the head of various areas of the Sánchez-Ramade Group (Distribution, Automation, Real Estate, Cinematography, Information Technology, Finance, and Assets).

He is currently Chairman of Urende and Vice-Chairman of the Sánchez-Ramade Group, and a member of the Territorial Boards of Banco Español de Crédito, Telefónica Spain, Iberdrola and Corporación Mapfre.

He is a National Director of Compañía Ecoprensa, the publisher of the *El Economista* daily financial newspaper, Chairman of the Infrastructure, Housing and Planning Commission of the Andalusian Council of Chambers of Commerce of Andalusia, a member of the Governing Board of the Andalusian Business Confederation [*Confederación Empresarial Andaluza*] (CEA) and a member of the Governing Board of the Council of Chambers of Commerce of Andalusia.

2. PROFILES OF COMMITTEE MEMBERS

Mr. José Luis San Pedro Guerenabarrena

Industrial engineer, specializing in Energy Techniques from Escuela Técnica Superior de Ingenieros Industriales (ETSII) in Bilbao, and degree in Economics and Business from the Faculty of Sarriko (Bilbao) specializing in financing. Masters Degree in Strategic Planning from the Massachusetts Institute of Technology (MIT).

In 1971 he joined the Planning and Studies division of Iberduero, with responsibility for the demand and production studies section. In 1980 he was appointed Head of the Management Systems Department and in 1982 he became Head of the Studies and Planning Department. Since then he has participated actively in studies on the restructuring of the electricity industry.

In 1984 he was appointed Director of Administration and Finance of Iberdrola, S.A., during which period in office he continued to play an active role in the restructuring of the industry, managing all financial transactions; in 1991 he was appointed Managing Director of Economy and Finance of Iberdrola, S.A. and in 2000 he became General Director of Control, Regulation and Services of Iberdrola, S.A. He is currently the Director of Operations of Iberdrola, S.A.

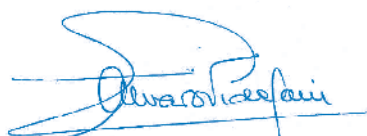
3. STATEMENT OF INDEPENDENCE

Mr. Álvaro Videgain Muro, member of the Board of Directors of IBERDROLA RENOVABLES and Chairman of the Audit and Compliance Committee, in his capacity as external independent director pursuant to Article 31.1 of the By-Laws, hereby states that he satisfies the independence requirements established in Article 10.2 of the Regulations of the Board of Directors of IBERDROLA RENOVABLES. Specifically, he declares that:

- He does not hold, and has not held during the last three years, any position at companies of the IBERDROLA RENOVABLES Group.
- He is not, and has not been during the last five years, an executive director of any of the companies of the IBERDROLA RENOVABLES Group.
- He is not the recipient of any remuneration or compensation paid by the Company or any of the Companies that are members of the IBERDROLA RENOVABLES Group other than such as he may be entitled to collect for serving as director.
- He is not, nor has he been during the past three years, a partner of the external auditor or the person responsible for the audit report of the Company or of any of the companies that are members of the IBERDROLA RENOVABLES Group.
- He is not an executive director or senior manager of any other company of which any executive director or senior manager of IBERDROLA RENOVABLES is an external director.
- He does not have, nor has he had during the last year, a significant business relationship with the Company or with any other company belonging to the IBERDROLA RENOVABLES Group, whether in his own name or as significant shareholder, director or senior manager of an entity that has or has had such a relationship.
- He is not a significant shareholder, executive director or senior manager of any entity that receives, or has received during the last three years, significant gifts from the Company or the IBERDROLA RENOVABLES Group.
- He is not, and has not been the spouse of or person linked by a like relationship of affection to, or relative up to the second degree of, an executive Director or senior manager of the Company.
- There is no other kind of direct or indirect relationship with the Company, or any circumstance that might condition the free exercise of his independence as a director.

In addition, in his capacity as external independent director, he undertakes to act in good faith and with such diligence as is expected of a faithful representative of all the shareholders of IBERDROLA RENOVABLES, and to perform the duties imposed upon a director by Law, the By-Laws and the Regulations of the Board of Directors of IBERDROLA RENOVABLES in furtherance of the corporate interests.

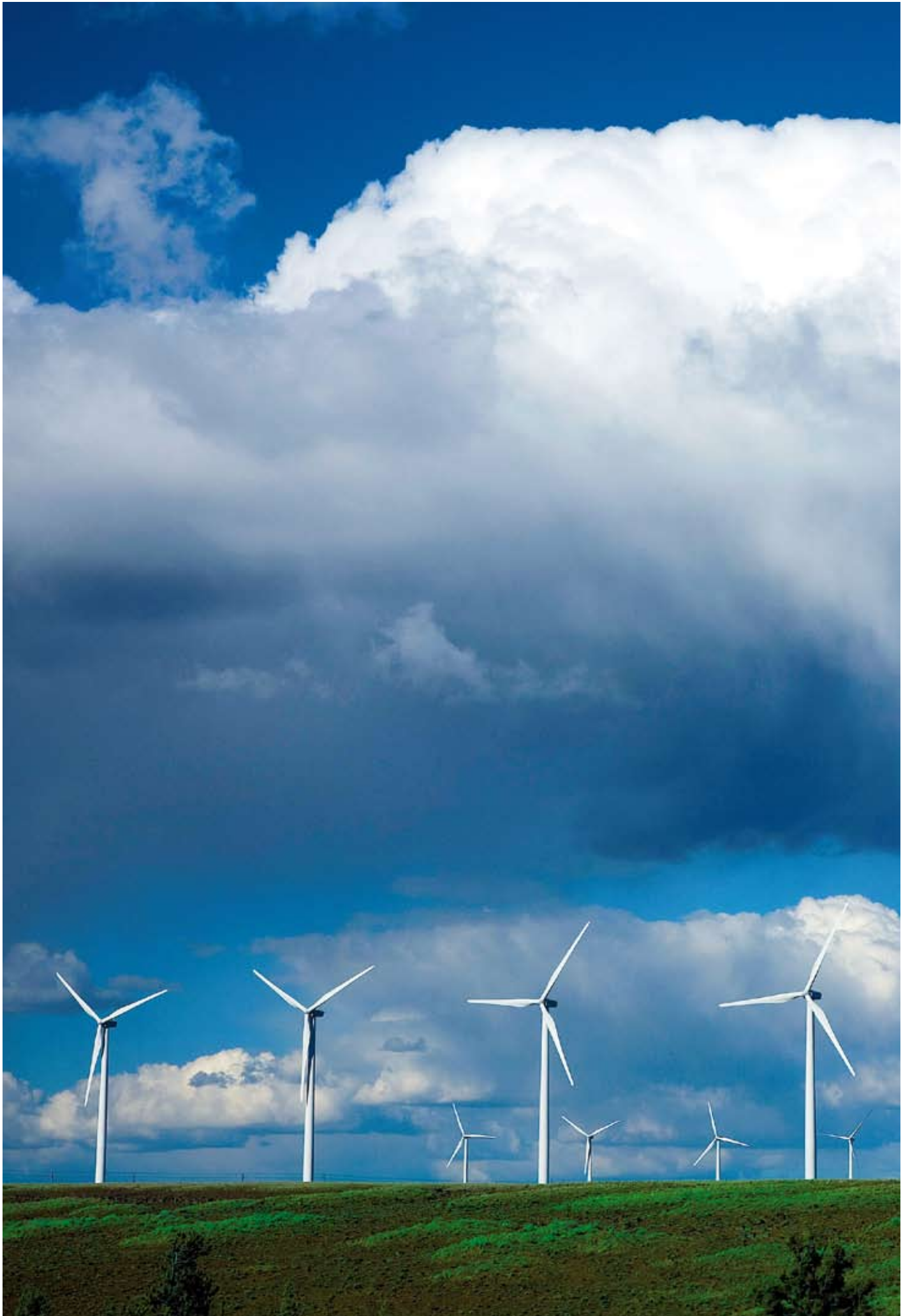
Valencia, January 26, 2009



Mr. Álvaro Videgain Muro
Chairman of the Audit
and Compliance Committee
of IBERDROLA RENOVABLES

4. HIGHLIGHTS: 2007- 2008

Indicators	2008	2007
Number of meetings	10	4
Number of reports submitted to the Board of Directors	21	9
Number of appearances by the Senior Management of the Company before the Audit and Compliance Committee	19	4
Number of recommendations put forward	8	0



ACTIVITIES DURING 2008

1. Background
2. Meetings held in 2008
3. Activities during 2008

1. BACKGROUND

The Audit and Compliance Committee was created on November 5, 2007, prior to the initial public offering of Iberdrola Renovables, as an internal informational and consultative organ of the Board of Directors, without executive functions, with information-gathering, advisory and proposal-making powers within its scope of activities.

Since its creation, the Committee has published its Annual Activities Report, an initiative that is in accord with its commitment to transparency, and that is disseminated to shareholders and the market.

2. MEETINGS HELD IN 2008

A breakdown of the meetings of the Committee held during fiscal year 2008, and the list of matters dealt with at such meetings is set forth in the following table:

Meeting	Date	Agenda
5 th MEETING	19-FEB-2008	<ul style="list-style-type: none"> • Report of the Committee to the Board of Directors regarding the semi-annual financial information for the second half of 2007. • Presentation of the General Secretary and the Board of Directors: Proposal to amend the Internal Regulations for Conduct in the Securities Markets. Report of the Committee to the Board of Directors. • Presentation of the CEO: Authorization of the provision by the Auditor of services other than financial statement auditing.
6 th MEETING	07-MAR-2008	<ul style="list-style-type: none"> • Report of the Committee to the Board of Directors regarding the process for preparing and formulating the individual and consolidated Annual Financial Statements and Management Reports for fiscal year 2007, as well as regarding the proposed application allocation of profits. • Formulation of the Annual Activities Report of the Committee for fiscal year 2007. • Formulation of the report on self-evaluation of the Committee for fiscal year 2007.
7 th MEETING	11-MAR-2008	<ul style="list-style-type: none"> • Presentation of the CEO regarding certain acquisitions, pursuant to Article 25.2 h) of the Regulations of the Board of Directors. Report of the Committee to the Board of Directors.
8 th MEETING	14-APR-2008	<ul style="list-style-type: none"> • Ratification of the appointment of the head of the Internal Audit Division of the IBERDROLA RENOVABLES Group. • Report of the Committee to the Board of Directors regarding the economic and financial information for the first quarter of 2008. • Report of the Committee to the Board regarding the "General Policy on Risk Control and Management" and the specific policies thereof. • Approval of the "Auditor Hiring Policy of Iberdrola Renovables, S.A. and subsidiaries." • Report of the Committee to the Board of Directors regarding certain acquisitions pursuant to Article 25.2 h) of the Regulations of the Board of Directors. • Proposal of the Committee to the Board of Directors regarding the performance of a limited review of the semi-annual financial information by the Auditor.
9 th MEETING	20-MAY-2008	<ul style="list-style-type: none"> • Report of the Committee to the Board of Directors regarding the Annual Corporate Governance Report. • Analysis of the services rendered by the Group's Auditor, "Ernst&Young," and submission of proposal to the Board of Directors regarding the re-election thereof for fiscal year 2008. • Report of the Committee to the Board of Directors regarding the explanatory report that the Board of Directors must prepare pursuant to the provisions of Section 116.bis of the Securities Market Law. • Presentation by the Group's Auditor, "Ernst&Young": Scope of the limited semi-annual review of the financial statements and control recommendations. • Authorization for the Group's Auditor to provide services other than those of financial statement auditing. • Presentation by the Director of Internal Audit: Annual working plan and goals for fiscal year 2008.

Meeting	Date	Agenda
10 th MEETING	21-JUL-2008	<ul style="list-style-type: none"> • Report of the Committee to the Board regarding economic and financial information for the first half of 2008. • Presentation by the Group's Auditor, "Ernst&Young": Limited review of the Group's financial statements for the first half of 2008. • Presentation by the Director of Administration and Control: Comprehensive Risk System. Limits and indicators. Report of the Committee to the Executive Committee. • Quarterly report of the Director of the Regulatory Compliance Unit. • Presentation by the Chairman of the Committee: Proposal to implement a Committee communications channel.
11 th MEETING	23-SEP-2008	<ul style="list-style-type: none"> • Presentation by the Director of Internal Audit: Proposed Basic Internal Audit Rules. • Presentation by the Chairman of the Committee: Proposed internal procedure for the management of complaints received through the Committee communications channel. • Authorization for the provision by the Group's Auditor of services other than those of financial statement auditing.
12 th MEETING	22-OCT-2008	<ul style="list-style-type: none"> • Report of the Committee to the Board of Directors regarding economic and financial information for the third quarter of 2008. • Presentation by the Director of Administration and Control: Comprehensive Risk System. Report of the Committee to the Board of Directors. • Quarterly report by the Director of the Regulatory Compliance Unit. • Approval of the "Procedure for Supervision of the Comprehensive Risk System by the Audit and Compliance Committee." • Analysis of related-party transactions and conflicts of interest of the directors. Dispensation reports to the Board of Directors. • Approval of the Basic Internal Audit Rules submitted by the Director of Internal Audit. • Proposal by the Committee to the Board of Directors for approval of the "Procedure for the Audit and Compliance Committee Communications Channel." • Approval of the Committee's internal procedure for dealing with complaints received through the Audit and Compliance Committee Communications Channel.
13 th MEETING	18-NOV-2008	<ul style="list-style-type: none"> • Presentation by the Director of Administration and Control: Annual and semi-annual internal procedure for certification of financial information at the Group. • Presentation by the General Secretary & Secretary of the Board of Directors: Main pending litigation.
14 th MEETING	17-DEC-2008	<ul style="list-style-type: none"> • Presentation by the Director of Administration and Control: Estimate of year-end results for fiscal year 2008. • Presentation by the Group's Auditor, "Ernst&Young": Main conclusions from the preliminary review. • Approval of the Committee's self-evaluation report for fiscal year 2008. • Presentation by the Chairman of the Committee: Draft of the Committee's Activities Report for fiscal year 2008. • Presentation by the Director of Internal Audit: Annual Internal Audit Activities Plan for 2009. • Report of the Committee to the Board of Directors regarding treasury stock limits. • Authorization for the Group's Auditor to provide services other than those of financial statement auditing.

3. ACTIVITIES DURING 2008

This Report contains a summary of the main activities carried out by the Audit and Compliance Committee during fiscal year 2008 for the effective performance of the duties entrusted to it by the Board of Directors.

- a) Supervision of **the process of preparing and the integrity of the economic and financial information** published by the Company.
- b) 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.
- c) Supervision of the **Internal Audit Division**, which reports to the Chairman of the Audit and Compliance Committee.
- d) Definition of the framework of relations with the **Auditor**, and supervision of the activities and independence thereof.
- e) Assessment of the level of compliance with **legal requirements and with the Codes of Professional Conduct and Good Governance**.
- f) Other activities carried out within the framework established for the Committee in the By-Laws and in the Regulations of the Board of Directors of IBERDROLA RENOVABLES.

Supervision of the process of preparing and of the integrity of the economic and financial information published by the Company

The Committee has paid special attention to supervision of the process of preparation and of the integrity of the economic and financial information published by IBERDROLA RENOVABLES, ensuring that, among other things, the interim financial information is prepared using the same accounting standards as the annual information, and watching for compliance with legal requirements, proper specification of the scope of consolidation, and correct application of generally accepted accounting principles and applicable international financial reporting standards.

Limited review of semi-annual information by the Auditor

At the recommendation of the Audit and Compliance Committee, the Board of Directors of the Company, at its

meeting of June 25, 2008, approved a limited review of the semi-annual information by the Auditor.

This review was recommended pursuant to the new requirements established by Royal Decree 1362/2007, of October 19, which further develops Law 24/1988, of July 28, on the Securities Markets, with respect to transparency requirements regarding information on issuers whose securities are traded on an official secondary market or other regulated market of the European Union, and Circular 1/2008, of January 30, of the National Securities Market Commission [*Comisión Nacional del Mercado de Valores*] (C.N.M.V.). Beginning on January 1, 2008, such documents require an express declaration of responsibility and the sign-off by Administrators on the annual and semi-annual economic and financial information of listed companies.

The Committee has followed up on the results of this limited review, which were presented by the Auditor at its meeting held on July 21, 2008.

Internal procedure for certifying financial information

During fiscal year 2008, at the recommendation of the Audit and Compliance Committee, IBERDROLA RENOVABLES implemented **an internal procedure for certifying the economic and financial information** that must be published by the Company on an annual and semi-annual basis. This procedure is intended to contribute to reasonably ensuring the trustworthiness of the financial information and the proper functioning of internal control.

The detailed procedure was submitted to this Committee at its meeting of November 18, 2008 by the Company's Director of Administration and Control.

Monitoring of the Comprehensive Risk System

The Committee has played a crucial role in designing and establishing the operational guidelines of the Integral Risk Management System at the Iberdrola Renovables Group.

Article 25 of the Regulations of the Board of Directors of IBERDROLA RENOVABLES, which further develops the responsibilities of the Audit and Compliance Committee, provides that it shall have, among other functions, that of periodically reviewing the internal control and risk management systems, in order to identify, manage and adequately understand the principal risks.

This precept provides that the Committee must work to ensure that the risk control and management policy identifies at least the following:

- the various types of risks (operational, technological, financial, legal, reputational, etc.) faced by the Company, including among the financial or economic risks, contingent risks and other off-balance sheet risks;
- the setting of the risk level that the Company deems acceptable;
- the measures provided to mitigate the impact of risks that have been identified, in the event that they materialize; and
- the internal information and control systems that will be used to control and manage such risks, including contingent liabilities and off-balance sheet risks.

During fiscal year 2008, the Company made a great effort to formalize its Comprehensive Risk System and establish the basis for the operation thereof. In this regard, the Committee has labored continuously to supervise the activities performed by the Company, informing the Board regarding

the adaptation of the proposed risk management and control policies and working to ensure that the principal risks of the business are identified and properly managed.

Reports of the Audit and Compliance Committee regarding the Comprehensive Risk System

- At its meeting of April 14, 2008, the Committee analyzed the **“Risk Control and Management Policy” and the specific policies thereof** (investment policy, financing and financial risk policy, treasury stock policy, policy on the risks of shares in listed companies, insurance policy, framework policy on the mitigation of reputational risk, policy on the operational risk of facilities, and policy on the risk of energy management), and issued a positive report to the Board of Directors, as it believes that such policies constitute an appropriate framework for the control and management of the principal risks faced by the Company with the framework of its 2008-2012 strategic plan.

These policies were approved by the Board of Directors at its April 2008 meeting.

- At its meeting of July 21, 2008, the Committee analyzed the limits and indicators corresponding to the risk policies approved by the Company in April 2008, and reported positively thereon to the Executive Committee.
- At the request of the Committee, during the October 22, 2008 meeting, the Director of Administration and Control presented a summary of the activities carried out during fiscal year 2008 relating to the Comprehensive Risk System, as well as the quarterly reporting systems established by the Company to ensure proper monitoring of the significant risks of the business. The Committee issued a positive report to the Board of Directors, as it believes that the Company is working correctly on the formalization of an appropriate Comprehensive Risk System.

Procedure for supervision of the Comprehensive Risk System by the Audit and Compliance Committee

At its meeting of October 22, 2008, the Committee approved the Procedure for Supervision of the Comprehensive Risk System by the Audit and Compliance Committee. This procedure includes the principal duties of the Audit and Compliance Committee, as an internal body of the Board of Directors, for supervising the significant risks of IBERDROLA RENOVABLES.

The duty of supervision, which shall be exercised with the support of the Internal Audit Division, is thus focused on verifying:

- Compliance with established procedures, policies and limits.
- Proper identification, evaluation and prioritization of risks.
- That the elements of the System are in accordance with the General Policy on Risk Control and Management approved by the Board of Directors, applicable legal provisions, and the corresponding Strategic Plan, and that the elements have been adapted to the requirements of an environment that may be changing, thus causing the appearance of new risks.
- That the System operates effectively and efficiently, such that all significant risks affecting the achievement of the corporate objectives of IBERDROLA RENOVABLES and its Group are reasonably identified, measured and controlled.

In no event shall the Audit and Compliance Committee or the Internal Audit Division exercise the following duties, the responsibility for which shall rest with other Divisions and governance bodies of the Company participating in the Comprehensive Risk System:

- The establishment of risk limits.
- The direct management and control of risks.
- The making of decisions in response to risks.

Supervision of the Internal Audit Division

In 2008, an independent and corporate-wide Internal Audit Department was set up at the Iberdrola Renovables Group.

Pursuant to recommendation 50.1.c) of the Unified Good Governance Code, during fiscal year 2008, the Committee ratified the appointment of the head of the Internal Audit Division as a first step towards the creation of an Internal Audit Division within the Group.

The Internal Audit Division was created as a global independent function, the principal objective of which is to provide the Board of Directors, through the Audit and Compliance Committee, **with efficient supervision of the significant internal control and risk management systems of the IBERDROLA RENOVABLES GROUP.**

In order to comply with its duties and perform its activities, the Internal Audit Division has adopted a structure based on highly qualified multi-disciplinary teams that are formally organized by geographic area and working pursuant to a single Annual Activities Plan. These teams share work based on their qualifications and their potential for professional development, aligning their work with the best international practices.

During this first year of the Internal Audit Division's activities, the Committee has worked to ensure that the service **has the resources** and that its professionals have the qualifications needed for the proper performance of their duties.

Despite its recent creation, the Internal Audit Division has had a high degree of completion of its activities during 2008, with the Director of Auditing having attended all of the meetings held by the Committee since her appointment, reporting on a timely basis on the significant aspects and recommendations resulting from the activities performed.

Basic Internal Audit Regulation

At its October 22 meeting, the Committee approved the Basic Internal Audit Regulations. This is an internal document inspired by the corporate governance rules of IBERDROLA RENOVABLES and, in particular, by the provisions of Article 38.2 of its By-Laws and Article 25.3 of the Regulations of the Board of Directors, and is intended:

- To define the nature, activities, organization, operation, basic powers, and responsibilities of the Internal Audit Division.
- To establish the framework of relations between the Internal Audit Division, the Board of Directors, the Audit and Compliance Committee and the Management of the Group.
- To serve as a unique reference document to disseminate knowledge of the functions, activities and responsibilities of the Internal Audit Division among the IBERDROLA RENOVABLES GROUP.

In October, the Committee approved the Basic Standard of Internal Audit, which is based on the Company's corporate governance standards and governs the department's function.

Internal Audit Annual Activities Plan for fiscal year 2009

At its December 17 meeting, pursuant to the provisions of Article 25.3 of the Regulations, the Audit and Compliance Committee approved the **Internal Audit Annual Activities Plan for fiscal year 2009**.

This is a global activities plan, the scope of which covers all of the IBERDROLA RENOVABLES Group, and prepared based on a process of analysis and deep reflection regarding the current reality of the Group as well as potential risks arising from the current economic environment.

The principal objectives of the Internal Audit Activities Plan for fiscal year 2009 are:

- To support the Audit and Compliance Committee in compliance with the responsibilities assigned thereto.
- To supervise compliance with the objectives of the Company's Strategic Plan by means of the performance of work focused on the Group's significant risks.

The Plan contemplates a significant number of tasks, with activities throughout all of the organizations and geographical areas of the Group.

Establishment of the framework of relations with the Auditor and supervision of the Auditor's activities

Pursuant to the provisions of Article 25.5 of the Regulations of the Board of Directors, the main duties of the Audit and Compliance Committee include the supervision of the activities of the Auditor. In particular, the Committee:

- Proposes the appointment of the Company's Auditors to the Board of Directors, for submission to the shareholders at the General Shareholders' Meeting.
- Receives information from the Auditors regarding issues that might place the independence thereof at risk, that are related to the financial statement auditing process, and, in general, regarding any other matters provided for in legislation on financial statement auditing and in the technical auditing regulations in effect from time to time.

In this regard, the Committee at its April 14, 2008 meeting approved the *"Auditor Hiring Policy of Iberdrola Renovables, S.A. and Subsidiaries"*. This policy establishes a series of mechanisms that seek to ensure the independence of the external auditor within the principle of maximum transparency, and governs the framework of relations with the Auditor.

Pursuant to such policy, the Committee has played an active role in monitoring the independence of the Auditors,

authorizing in advance the contracting of all work performed by the Auditor for services other than auditing, ensuring that applicable rules regarding the provision of services other than auditing, as well as the limits regarding concentration of the Auditor's business, are respected at all times.

In April 2008, the Committee approved the “Policy for Appointing Auditors” with a view to establishing the measures to ensure their independence

In the exercise of its duties, the Committee at its May 20, 2008 meeting resolved to submit to the Board of Directors its proposal to re-elect the Group's Auditor, Ernst&Young, for approval by the shareholders at the General Shareholders' Meeting.

In addition, the Committee reviews the content of the Audit Reports in order to avoid any qualifications prior to the issuance thereof, assessing the results of each audit and serving as a channel of communication between the Board of Directors and the Auditor.

In accordance with the foregoing, the Committee has encouraged the appearance of the Company's Auditors before the full Committee to present its working conclusions and to establish a fluid channel of communication with the members of the Committee. The most significant activities carried out during 2008 were the following:

Meeting	Date	Agenda
9 th MEETING	20-MAY-2008	<ul style="list-style-type: none"> Presentation by the Group's Auditor, “Ernst&Young”: Scope of the limited semi-annual review of the financial statements and recommendations on control.
10 th MEETING	21-JUL-2008	<ul style="list-style-type: none"> Presentation by the Group's Auditor, “Ernst&Young”: Limited review of the Group's financial statements for the first half of 2008.
14 th MEETING	17-DEC-2008	<ul style="list-style-type: none"> Presentation by the Group's Auditor, “Ernst&Young”: Main conclusions from the preliminary review.



As an innovation during fiscal year 2008, following best practices in this regard and upon the proposal of the Audit and Compliance Committee, IBERDROLA RENOVABLES has included a Limited Review Report signed by the Auditor among its public financial information for the first half of the fiscal year.

Evaluation of the level of compliance with legal requirements and the requirements of the Codes of Professional Conduct and of Good Governance

The Committee has worked to ensure compliance with legal requirements and the requirements of the Codes of Professional Conduct and Good Governance approved by the Board of Directors, submitting proposals for improvement that it deemed appropriate to the Board of Directors, with an emphasis on:

- i) The creation of an Internal Audit Division (Recommendations 47 and 48 of the Unified Good Governance Code);
- ii) Implementation of a Communications Channel with the Committee so that employees might report potentially significant financial and accounting irregularities found within the Iberdrola Group, respecting in all cases the personal data protection rules and the fundamental rights of the parties involved (Recommendation 50 of the Unified Good Governance Code).

Audit and Compliance Committee Communications Channel

A communication channel has been made available to employees whereby they can report, confidentially, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with implications for the firm.

The Company's Board of Directors at its October 22, 2008 meeting, upon a proposal of the Audit and Compliance Committee, approved the implementation of an Audit and Compliance Committee Communications Channel, fully respecting all pre-existing mechanisms of Communications between the Company and its employees, in compliance with the provisions of:

- Recommendation 50 of the Unified Good Governance Code, which provides *"that with respect to the internal information and control Systems, the Audit Committee is to establish and supervise a mechanism that allows employees to confidentially and, if they deem it appropriate, anonymously, communicate potentially significant irregularities, especially financial and accounting, that they encounter within the company."*
- Article 25.7 of the Regulations of the Board of Directors of the Company, which includes among the functions of the Audit and Compliance Committee, to *"establish and supervise a mechanism to allow employees to report on a confidential and, if deemed appropriate, anonymous basis, potentially important irregularities, particularly of a financial and accounting nature, observed in the company, complying in all cases with the rules and regulations regarding the protection of personal information and the fundamental rights of the parties involved."*

Pursuant to Article 25.1 of the Regulations of the Board of Directors, the application of this procedure shall extend to Iberdrola Renovables, S.A. and to the Companies making up its Group, understood in the sense of Section 4 of Law 24/1988, of July 28, on the Securities Market, without prejudice to the communications that may have to be made to the Audit and Compliance Committee or other equivalent body of other listed companies of the IBERDROLA RENOVABLES Group that have a similar procedure.

Since the approval thereof, the Committee has been closely following its implementation and has prepared and approved an internal procedure for managing complaints that it receives through this channel.

The approval of the "Procedure for the Audit and Compliance Committee Communications Channel" by the Board of Directors took place on October 22, 2008.

Other activities performed within the powers established for the Committee in the By-Laws and in the Regulations of the Board of Directors of IBERDROLA RENOVABLES.

2007 Annual Corporate Governance Report

Pursuant to the provisions of Articles 25.2 f) of the Regulations of the Board of Directors and 46.1 of the By-Laws, the powers of the Audit and Compliance Committee include that of examination of the Annual Corporate Governance Report prior to the approval thereof by the Board of Directors of IBERDROLA RENOVABLES.

The examination of the Annual Corporate Governance Report is performed in order to ensure:

- Compliance with legal requirements as regards the transparency of information; and
- Consistency of information contained in the report with internal rules of the Company and the records of the C.N.M.V.

The Annual Corporate Governance Report for fiscal year 2007 was approved by the Board of Directors on May 20, 2008, after examination by the Audit and Compliance Committee, which examined the document at its meeting held on that date.

Amendment of the Internal Regulations for Conduct in the Securities Markets

The Internal Regulations for Conduct in the Securities Markets of IBERDROLA RENOVABLES was approved by the Board of Directors on November 5, 2007. During fiscal year 2008, there was an **amendment of the Regulations** in order to adapt them to the new requirements regarding transparency. At its February 19, 2008 meeting, the Committee analyzed such amendments and reported favorably thereon to the Board.

Supervision of the activities performed by the Regulatory Compliance Unit

The Committee supervised the activities performed by the Regulatory Compliance Unit, requesting the quarterly appearance of the head of the Unit to report on the measures adopted to promote knowledge of and ensure compliance with the provisions contained in the "Internal Regulations for Conduct in the Securities Markets" and, generally, the legal provisions applicable to the Securities Markets.

Conflicts of interest and related-party transactions

Pursuant to the provisions of the "**Procedure for conflicts of interest and related-party transactions with Directors, significant Shareholders and Senior Management,**" the Committee has analyzed the communications regarding conflicts of interest and related-party transactions sent to it periodically by the Regulatory Compliance Unit.

Reports to the Board regarding special purpose entities

Pursuant to the provisions of Article 25.2 h) of the Regulations of the Board of Directors, the Committee must report to the Board of Directors prior to the adoption thereof of decisions regarding the creation or acquisition of interests in special purpose entities or entities domiciled in territories that are considered to be tax havens.

During fiscal year 2008, at its meeting on March 11, and April 14, the Committee performed a specific analysis of the risks and implications of these or similar projects that have taken place during the fiscal year and that were reported to the Committee for its assessment thereof.

Review of claims by and against the Company

At its meeting of November 18, 2008, the General Secretary and Secretary of the Board appeared to present the Report on Claims by and against the Company for fiscal year 2008, reporting on the volume of IBERDROLA RENOVABLE's claims against third parties and the claims of third parties against IBERDROLA RENOVABLES, of the evolution of the principal claims, and of the potential legal risks that affect the Company.

Dispensations of Directors

At its meeting of October 22, 2008, the Audit and Compliance Committee presented the corresponding reports to the board of directors of the Company regarding the appropriateness of giving dispensation for certain activities or services performed by Messrs. Egea Krauel, Moreu Munaiz and Videgain Muro, as they were deemed not to endanger the interests of the Company.

Appearances of Management before the Committee

In order to optimally comply with its duties, the Audit and Compliance Committee may, when it deems necessary, re-

quest the appearance of the Company's senior managers before the full Committee.

In this regard, there were 19 appearances by senior managers of the Company, a breakdown of which is set forth in the following table:

Date	Division	Presentation
19-FEB-2008	Director of Administration and Control General Secretary & Secretary of the Board of Directors CEO	Pro forma consolidated annual reports and financial statements as of December 31, 2007. Internal Regulations for Conduct in the Securities Markets. Proposal for hiring consulting services.
07-MAR-2008	Director of Administration and Control	Annual Reports and Management Report for fiscal year 2007.
11-MAR-2008	CEO	Acquisitions with respect to Article 25.2 h) of the Regulations of the Board of Directors.
14-APR-2008	Director of Administration and Control	Economic and financial information – first quarter 2008.
20-MAY-2008	Director of Internal Audit	Annual working plan and goals for fiscal year 2008.
21-JUL-2008	Director of Administration and Control Director of Administration and Control Director of Regulatory Compliance Unit	Economic and financial information for first half of 2008. Comprehensive Risk System. Limits and indicators. Quarterly report of the Regulatory Compliance Unit.
23-SEP-2008	Director of Internal Audit	Internal Basic Audit Regulations.
22-OCT-2008	Director of Administration and Control Director of Administration and Control Director of Regulatory Compliance Unit Director of Internal Audit	Economic and financial information –third quarter 2008. Comprehensive Risk System. Quarterly report of the Regulatory Compliance Unit. Internal procedure for dealing with complaints received through the Communications Channel.
18-NOV-2008	Director of Administration and Control General Secretary & of the Board	Procedure for certifying financial information. Main pending litigation.
17-DEC-2008	Director of Administration and Control Director of Internal Audit	Estimate of results for year-end 2008. 2009 Annual Activities Plan.

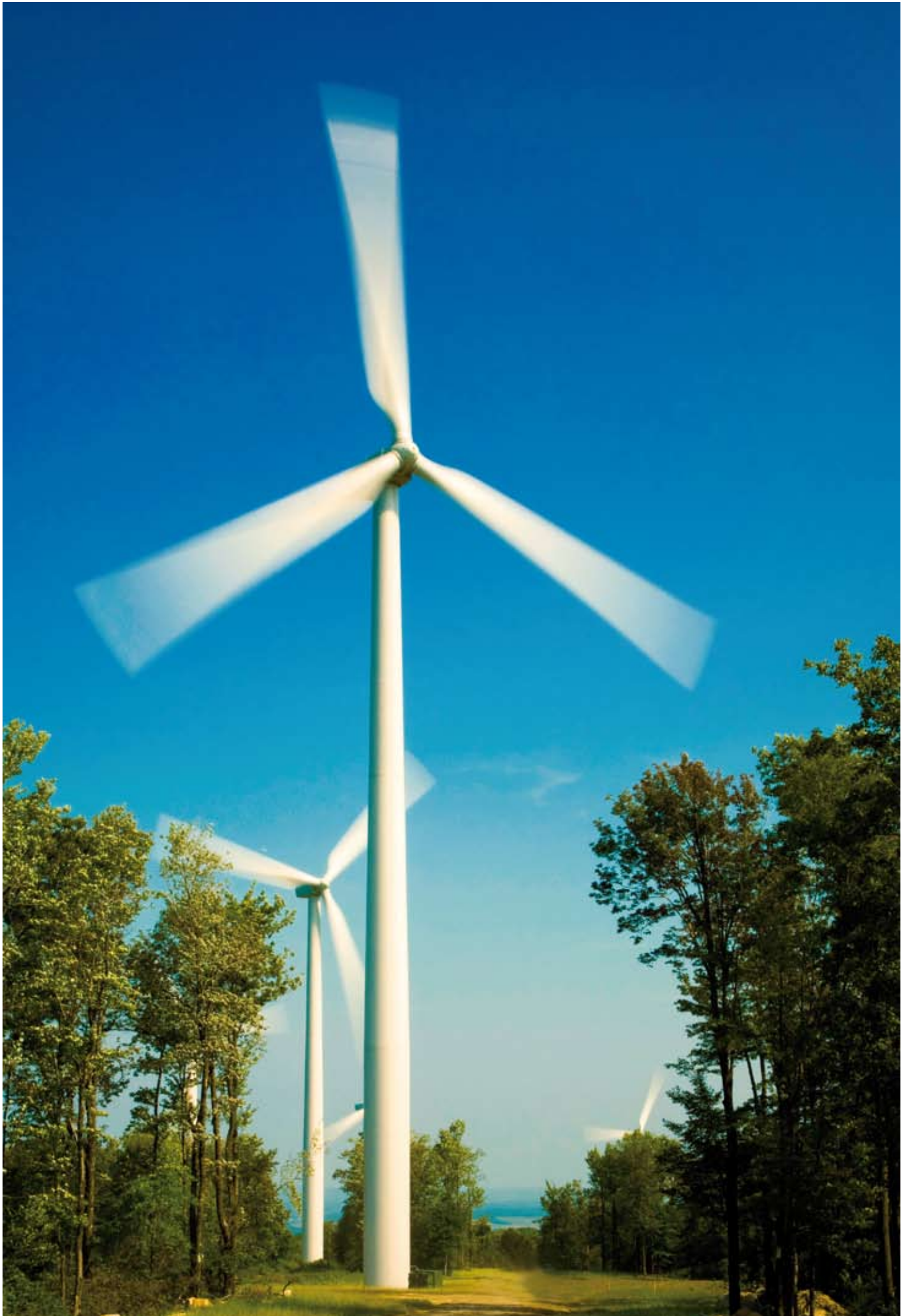


CONCLUSION

During fiscal year 2008, the first full year of activity of IBERDROLA RENOVABLES' Audit and Compliance Committee, the Committee has been very active and has complied with its duties under the law and the By-Laws, based on the cooperation of the members of the Company's Senior Management and the support of the Internal Audit Division.

As a result of their work, the members of the Committee:

1. Believe that the Committee satisfactorily performed the duties previously entrusted to it by the Board of Directors and which are set forth in the By-Laws and the Regulations of the Board of Directors.
2. State their approval of the Company's economic and financial information reviewed during the fiscal year, the efficiency of its internal control systems related to significant risks, and the level of compliance by IBERDROLA RENOVABLES with good governance standards and recommendations.
3. Have reported to the Board of Directors and to the Management of the Company on potential areas for improvement within their respective areas of responsibility.



OUTLOOK FOR 2009

It is expected that the Audit and Compliance Committee will have a higher level of activity and dedication during 2009.

The increasingly international nature of the IBERDROLA RENOVABLES GROUP, as well as the ongoing expansion and growth of the business in line with the 2008-2012 Strategic Plan, represent a continuous challenge for the Committee and require that it have the flexibility necessary to adjust its activities to the reality of the Group, for which it has the support of Senior Management and of a global Internal Audit Division.

The Committee will give special dedication and resources to the implementation of improvement activities resulting from the self-evaluation approved by the Board of Directors in January 2009, intensifying its work of supervising the comprehensive risk system, encouraging the participation of the Company's senior management at meetings of the Committee, and specifically following up on the activities commenced during 2008 at the proposal of the Committee.

Finally, the Committee will continue working during 2009 with the basic goal of contributing value to the Group, helping to achieve corporate objectives by means of the efficient exercise of its work supervising the risk faced by the organization and the internal systems designed for the management and control thereof.



EXHIBITS

1. By-Laws (Article 38)
2. Regulations of the Board of Directors
(Articles 24, 25 and 26)

1. BY-LAWS (ARTICLE 38)

“Audit and Compliance Committee”

1. *The Board of Directors shall create a permanent Audit and Compliance Committee, which shall be composed of a minimum of three (3) Directors and a maximum of five (5) Directors appointed by the Board of Directors from among the external Directors who are not members of the Executive Committee. The Audit and Compliance Committee shall have a Chairman, who must be one of the independent Directors that are members of the Committee, and a Secretary, who need not be a Director, appointed by the Board of Directors.*

Unless otherwise decided by the Board of Directors, the Directors sitting on the Audit and Compliance Committee shall hold their positions for so long as they remain Directors of the Company. Renewal and re-election to and removal from office of the Directors sitting on the Committee shall be governed by resolution of the Board of Directors. The position of Chairman shall be held for a maximum period of (4) years, after which period such person may not be re-elected until the passage of one year from ceasing to act as such, without prejudice to such person continuing or being re-elected as a member of the Committee.

2. *In all events, the Audit and Compliance Committee shall have the power to:*

- (a) *Report to the General Shareholders' Meeting with respect to matters raised therein by shareholders regarding its powers.*
- (b) *Propose appointments of the Company's Auditors to the Board of Directors for submission to the General Shareholders' Meeting.*
- (c) *Supervise the management of the Internal Audit Area, which will be functionally controlled by the Chairman of the Audit and Compliance Committee.*
- (d) *Know the process for gathering financial information and associated internal systems for monitoring risks relevant to the Company.*
- (e) *Receive information from the Auditors regarding matters that might risk the independence thereof which 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 regulations in effect at any time.*

- (f) *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.*

- (g) *Exercise such other powers, if any, as may be assigned to it by these By-Laws, the Regulations of the Board of Directors or the Board of Directors.*

3. *For purposes of the operation of the Committee, it shall meet as many times as its Chairman deems necessary for the fulfillment of its obligations, and at least four (4) times per year, or when requested by at least one-half of its members.*

Meetings of the Committee shall be validly held when one-half plus one of its members are present in person or by proxy, and shall adopt resolutions by majority of the members present in person or by proxy. In the event of a tie, the Chairman shall have the tie-breaking vote.

4. *The Audit and Compliance Committee shall submit for approval of the Board of Directors a Report of its activities during the fiscal year, which shall thereafter be made available to shareholders and investors on occasion of the call of the ordinary General Shareholders' Meeting.*
5. *The foregoing rules shall be developed by the Board of Directors in the Regulations of the Board of Directors, always favoring independence in the operation of the Committee.*

2. REGULATIONS OF THE BOARD OF DIRECTORS (ARTICLES 24, 25 AND 26)

“The Audit and Compliance Committee”

SECTION 3. AUDIT AND COMPLIANCE COMMITTEE

Article 24. Composition of and Positions within the Audit and Compliance Committee.

1. The Board of Directors shall create a permanent Audit and Compliance Committee, which shall be composed of a minimum of three (3) Directors and a maximum of five (5) Directors appointed by the Board of Directors from among the external Directors who are not members of the Executive Committee. The Audit and Compliance Committee shall have a Chairman, who shall necessarily be one of the independent Directors sitting on the Committee, with sufficient capacity and availability to provide greater dedication to the Committee than the other Directors sitting thereon, and a Secretary, who need not be a Director, appointed by the Board of Directors.

The Board of Directors shall endeavor to ensure that the Directors who are members of the Audit and Compliance Committee, and especially the Chairman thereof, have such background knowledge and experience in accounting, audit or risk management matters as is required by the duties they are called upon to perform, provided, however, that they need not be experts in these fields.

2. The Directors who are members of the Audit and Compliance Committee shall carry out their duties as long as their appointment as Directors of the Company remains in effect, unless the Board of Directors otherwise resolves, and provided they maintain their status as external Directors and are not members of the Executive Committee. The renewal, re-election and withdrawal of the Directors sitting on the Committee shall be governed by the resolutions of the Board of Directors. The office of Chairman shall be held for a maximum period of (4) years, after which period such person may not be re-elected until the passage of one year from ceasing to act as such, without prejudice to such person continuing or being re-elected as a member of the Committee.

Article 25. Powers and Functions of the Audit and Compliance Committee.

1. The activities of the Committee shall cover Iberdrola Renovables and the companies forming part of the Iberdrola Renovables Group.

2. In all events, the Audit and Compliance Committee shall have the power to:

- a) Report to the General Shareholders' Meeting with respect to matters raised therein by shareholders regarding its powers.
- b) Propose appointments of the Company's Auditors to the Board of Directors for submission to the General Shareholders' Meeting.
- c) Supervise the management of the Internal Audit Area, which shall be functionally controlled by the Chairman of the Audit and Compliance Committee.
- d) Know the process for gathering financial information and associated systems for monitoring risks relevant to the Company.
- e) Receive information from the Auditors regarding matters that might jeopardize the independence thereof which 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 regulations in effect at any time.
- f) Report in advance on the Company's annual corporate governance report and ensure compliance with legal requirements and those of the Codes of Ethics or Professional Conduct and Good Governance adopted by the Board of Directors.
- g) Inform the Board of Directors in advance regarding (i) all matters within its area of authority provided for in Title VIII of these Regulations and (ii) the financial information that the Company must periodically make public due to its status as listed company. In this regard, the Committee shall make sure that the interim financial statements are prepared in accordance with the same accounting standards as the annual financial statements and, for such purpose, it shall consider the suitability of a limited review by the external Auditor.
- h) Report to the Board of Directors, prior to the adoption by it of the corresponding decision, regarding the creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to the complexity thereof, might detract from the transparency of the Iberdrola Renovables Group.

- i) Report on the proposed amendments to the Regulations of the Board of Directors.
 - j) Exercise such other powers, if any, as may be assigned to it by the By-Laws, these Regulations or the Board of Directors.
3. The following shall be the main functions of the Committee regarding Internal Audit:
- a) See to the independence and effectiveness of Internal Audit.
 - b) Approve the direction and plans of the Internal Audit Area and ensure that its activities focus primarily on the significant risks of Iberdrola Renovables and of the Iberdrola Renovables Group, and receive periodic information on the activities carried out by Internal Audit.
 - c) Verify that senior management takes into account the conclusions and recommendations made in its reports.
 - d) Ensure that Internal Audit has sufficient resources and suitably-qualified professionals for the successful performance of its function.
4. The following shall be the main functions of the Committee in connection with internal monitoring and risk management systems:
- a) Periodically review internal monitoring and risk management systems to ensure that the main risks are identified, managed and properly disseminated.
 - b) Ensure that the risk control and management policy identifies, at a minimum:
 - i. The various kinds of risk (operational, technological, financial, legal, reputational, etc.) facing the Company, including, under financial or economic risks, contingent liabilities and other off-balance sheet risks.
 - ii. The determination of the level of risk that the company considers acceptable.
 - iii. The measures provided for to mitigate the impact of the risks identified, should they materialize.
 - iv. The reporting and internal monitoring systems to be used to control and manage the
- above-mentioned risks, including contingent liabilities or off-balance sheet risks.
5. The following shall be the main functions of the Committee in connection with the auditing of financial statements:
- a) Give guidance on and propose to the Board of Directors of Iberdrola Renovables the selection, appointment, re-election or replacement of the Auditors of Iberdrola Renovables and of the Iberdrola Renovables Group for approval thereof by the shareholders acting at the General Shareholders' Meeting.
 - b) Approve the Iberdrola Renovables Group's policy on hiring Auditors, proposing to the Board of Directors the terms on which Auditors are to be hired and ensuring that such terms are complied with.
 - c) Ensure the independence of the Auditors and, for such purpose:
 - i) ensure that the Company notifies the National Securities Market Commission of the change of Auditor as a significant event [*hecho relevante*];
 - ii) ensure that the Company and the Auditor observe current rules and regulations on the provision of services other than audit services, the limitations on the concentration of business of the Auditor and, generally, other rules and regulations established to ensure the independence of the Auditors.
 - iii) in the event of resignation of the Auditor, examine the circumstances that caused such resignation.
 - d) Review the content of the Audit Reports prior to issuance thereof, in order to prevent the making of comments and qualifications, the content and scope of which, if any, shall be clearly explained to the shareholders by the Chairman of the Committee.
 - e) Assess the results of each audit and supervise the responses of senior management to its recommendations.
 - f) Favor the Auditor of the Iberdrola Renovables Group taking responsibility for the audits of the companies belonging to such group.

g) Act as a channel of communication between the Board of Directors and the Auditors.

6. The following shall be the main functions of the Committee in connection with the preparation of financial information:

- a) Supervise the process of preparation and the integrity of the financial information relating to the Company, ensuring in this regard that the interim financial statements are prepared in accordance with the same accounting standards as the annual financial statements and, for such purpose, it shall consider the suitability of a limited review by the Auditor.
- b) Monitor compliance with legal requirements, the proper delimitation of the scope of consolidation and the correct application of generally accepted accounting standards and international financial reporting standards applicable to the Financial Statements and the Management Report of Iberdrola Renovables and the Iberdrola Renovables Group.
- c) Evaluate any proposed changes in accounting policies and practices suggested by senior management.

7. The following shall be the main functions of the Committee in connection with the annual corporate governance report and compliance with legal requirements and Good Governance recommendations:

- a) Report to the Board of Directors on the annual corporate governance report prior to submission thereof to the Board for approval.
- b) Ensure compliance with laws, internal regulations and regulatory provisions governing the activities of Iberdrola Renovables and of the Iberdrola Renovables Group.
- c) Review the degree of compliance with Good Governance recommendations by Iberdrola Renovables and by the companies belonging to the Iberdrola Renovables Group, if applicable, reviewing the results thereof from time to time and submitting the proposals for improvement that it deems appropriate to the Board of Directors.
- d) Establish and supervise a mechanism to allow employees to report on a confidential and, if deemed appropriate, anonymous basis, potentially impor-

tant irregularities, particularly of a financial and accounting nature, observed in the company, complying in all cases with the rules and regulations regarding the protection of personal information and the fundamental rights of the parties involved.

- e) Provide specific investigation in the event of third-party claims against the Company or of irregular or anomalous conduct, in accordance with the provisions of letter d) above.
- f) Inform the Board of Directors, prior to the adoption thereby of the respective decisions, of the creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature that, due to the complexity thereof, might detract from the transparency of the Iberdrola Renovables Group.
- g) Report to the Board of Directors on all matters within its area of authority pursuant to the Regulations of the Board and, generally, on any other matters required by the Board of Directors.

8. Furthermore, it shall fall upon the Committee to report in advance to the Board of Directors in all cases expressly provided for in other articles of these Regulations of the Board of Directors.

Article 26. Meetings of and Adoption of Resolutions by the Audit and Compliance Committee.

1. For purposes of the operation of the Committee, it shall meet as many times as its Chairman deems necessary for the fulfillment of its obligations, and at least one (1) time per quarter, or when requested by at least one-half of its members.

The Chairman of the Board of Directors and the Chief Executive Officer, if any, may request informational meetings with the Committee, on an exceptional basis.

2. The provisions of these Regulations regarding the operation of the Board of Directors and, especially, those regarding notice of meetings, the granting of a proxy to another Director, plenary meetings, voting in writing without a meeting, the chairman and the secretary of the meetings and approval of minutes of meetings shall apply to the Audit and Compliance Committee, to the extent that they are not incompatible with the nature thereof.

3. Meetings of the Committee shall be validly held when one-half plus one of its members are present in person or by proxy.

At the request of the Committee, any member of the Board of Directors, manager or employee of the Group, as well as any member of the decision-making bodies of the companies forming part of the Iberdrola Renovables Group whose appointment was proposed by the Company may attend the meetings of the Committee at its request. The Committee may also require that the Auditor attend its meetings.

4. The resolutions of the Committee shall be adopted by a majority of votes of the members present thereat in person or by proxy. In the event of a tie, the Chairman shall have the tie-breaking vote.
5. Within three months following the end of each fiscal year, the Audit and Compliance Committee shall submit to the Board of Directors for its approval a Report on its activities during the previous fiscal year, which shall subsequently be made available to the shareholders and investors for purposes of the call to the ordinary General Shareholders' Meeting. In addition, at the first meeting of the Board of Directors that is held following the meetings of the Committee, the Chairman of the Audit and Compliance committee shall report to the Board on the resolutions and significant events, if any, that occurred at Committee meetings.
6. Minutes of the meetings of the Audit and Compliance Committee shall be prepared by the Secretary, and shall be approved at the same meeting or at the one held immediately thereafter.



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