The Dividend Policy of Iberdrola S.A. (the Shareholder) was amended by its Board of Directors at its meeting held on 18th February 2014 (the Dividend Policy) and in accordance with the corporate governance system of the Shareholder, the Board of Directors of Scottish Power Limited at its meeting on the 10th April 2014, noted the amended version of the Dividend Policy.

The aim of the Dividend Policy [PDF] is to establish a link between shareholder remuneration and the Company's profit.

The Board of Directors of Scottish Power Limited, in following the Dividend Policy will take into account a number of factors within the United Kingdom including the significant capital investment programme planned and taxes paid.

As long as circumstances justifying its amendment do not arise, shareholder remuneration (pay-out) should be

- sustainable,
- compatible with the maintenance of financial soundness,
- take account of the common financial profile of comparable companies,
- be between 65% to 75% of the net profit attributed to the Shareholder in its consolidated accounts.

SHAREHOLDER REMUNERATION POLICY

29/04/14

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SHAREHOLDER REMUNERATION POLICY

The Board of Directors of IBERDROLA, S.A. (the "**Company**") is responsible for preparing the *Shareholder Remuneration Policy* and making the corresponding shareholder remuneration proposals.

The *Shareholder Remuneration Policy* is based on the following principles:

1. Purpose

The purpose of the *Shareholder Remuneration Policy* is to link shareholder remuneration to the profits of the Company.

2. Improvement in Profitability and Creation of Value

Within the framework of the corporate interest, the Company takes into account in its strategic planning specific and measurable economic and financial objectives that always seek improved profitability and the creation of shareholder value in a sustained fashion.

3. Conformance to Applicable Legal Provisions

The resolutions adopted by the shareholders at the General Shareholders' Meeting and by the Board of Directors in implementation of the *Shareholder Remuneration Policy* shall in all cases follow the provisions set out in applicable legal rules and the Corporate Governance System, and shall take into consideration good governance recommendations generally recognised in the international markets in this area.

4. Actions of the Board of Directors

The Board of Directors, within the scope of its powers, shall propose to the shareholders at the General Shareholders' Meeting the decisions it deems most appropriate regarding the distribution of dividends and, if applicable, shall resolve on the payment of interim dividends.

The Board of Directors may also propose other forms of shareholder remuneration, including flexible remuneration systems (scrip dividends), programmes for the buyback and cancellation of shares, increases in paid-up capital, distributions in kind, etc., and shall decide on the intervals at which such forms shall be applied.

5. Levels of Shareholder Remuneration

In the absence of circumstances warranting the modification thereof, any of the above forms of shareholder remuneration (pay-out) must be sustainable, compatible with the maintenance of financial strength, and in line with the level of companies having a similar business profile. In application of these standards, shareholder remuneration shall be between 65% and 75% of the net profits attributed to the Company, as controlling company, in its consolidated annual accounts.

This *Shareholder Remuneration Policy* was initially approved by the Board of Directors on 23 October 2007 and was last amended on 29 April 2014.