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General Corporate Social Responsibility Policy

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Take care of the environment.
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GENERAL CORPORATE SOCIAL RESPONSIBILITY POLICY

The Board of Directors of IBERDROLA, S.A. (the “**Company**”) has the power to design, assess, and continuously revise the *Corporate Policies*, which contain the guidelines governing the conduct of the Company and of the companies belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “**Group**”), and further develop the principles reflected in the *Mission, Vision, and Values of the Iberdrola group* and the other rules of the Corporate Governance System.

The *Corporate Social Responsibility Policies* include the corporate social responsibility policies intended to favour a culture of social responsibility within the Group, on a global basis, which contributes to the sustainable creation of value for society, citizens, customers, shareholders, and the communities in which the Group does business, equitably compensating all groups that contribute to the success of its business enterprise, and to make new investments considering their social return, generating employment and wealth for society with a long-term vision that achieves a better future without compromising present results.

The Board of Directors of the Company has assumed as one of the basic premises for the success of its business enterprise to be the sustainable development of the communities in which it does business and the wellbeing of people: customers, citizens, and shareholders who contribute to achieving the corporate interest.

Aware of this reality, the Group contributes to the development of communities with its business activity and its social responsibility strategy, with measures designed to promote education and culture and to protect vulnerable groups, and works to establish firm and permanent bonds, taking into consideration the interests of its workforce, shareholders and the financial community, regulatory bodies, customers, suppliers, the media, society in general, and the environment (the “**Stakeholders**”).

Along these lines, the Group’s social responsibility strategy seeks to place it at the forefront of best practices in this area, convinced that these aspects are a fundamental part of its strategy of excellent and to improve its competitiveness, apart from being a basic component for fulfilling its corporate interest.

The *General Corporate Social Responsibility Policy* is intended to establish the basic principles and the general framework of activities for the management of corporate social responsibility practices assumed by the Company and the Group and to serve as the basis for integrating social responsibility into the Business Model of the Group and its strategy. The *General Corporate Social Responsibility Policy* is further developed and supplemented by various *Social Responsibility Policies* addressing specific needs and expectations of the Stakeholders.

The corporate website of the Company is one of the main instruments for channelling its relations with the Stakeholders.

The *General Corporate Social Responsibility Policy* applies to all companies within the Group, including the listed country subholding companies and subsidiaries thereof, with the special characteristics that may be established by the special framework of strengthened autonomy in each case.

At those companies in which the Company has an interest and to which the *General Corporate Social Responsibility Policy* does not apply, the Company will promote, through its representatives on the boards of directors thereof, the alignment of their own policies with those of the Company, such that they adhere to principles and guidelines that are consistent with those set forth in this *General Corporate Social Responsibility Policy* and in the other *Social Responsibility Policies*.

OBJECTIVES

1. Objectives of the *General Corporate Social Responsibility Policy*

The Company and the other companies of the Group carry out their business enterprise and their own business model with the objective of sustainably creating value for society, citizens, customers, shareholders, and for the communities in which they do business, providing a high-quality service through the use of environmentally-friendly energy sources, innovating and maintaining awareness of the opportunities offered by the knowledge economy.

For this purpose, the Group makes new investments considering their social return, promotes the growth and develops the technical and human capacities of its professionals, works for the safety of people and supply, and labours to build a successful business enterprise together with all of the participants in its value chain.

Fulfilment of the corporate interest of the Company, as defined in its *By-Laws*, requires the assumption of corporate social responsibility policies that favour the “*sustainable exploitation of its corporate object and the creation of long-term value for the [shareholders]’ benefit, taking into account other stakeholders related to its business activity and to its institutional reality, and especially the legitimate interests of the various communities and territories in which the Company acts and those of its employees*”.

The knowledge, dissemination, and diffusion of the values of the Group guide the conduct of the Board of Directors, the committees thereof, and the other decision-making bodies of the Company in its relations with Stakeholders.

The instruments implemented by the Group must contribute to the development of the communities in which the Group is present with its business activities and its social responsibility, with measures directed toward promoting education and culture and protecting vulnerable groups, and specifically:

- a) Favour the achievement of the strategic goals of the Group in order to offer a safe, reliable, and high-quality supply of energy that is respectful of the environment.
- b) Improve the competitiveness of the Group through the assumption of management practices based on innovation, equal opportunities, productivity, profitability, and sustainability.

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- c) Responsibly manage the risks and opportunities deriving from changes in the surroundings, and maximise the positive impacts of its activities in the various territories in which it operates and minimise the negative impacts, to the extent possible.
- d) Encourage a culture of ethical behaviour that increases business transparency in order to generate creditability and trust within the Stakeholders, which includes society as a whole.
- e) Promote relationships based on trust and the creation of value for all of its Stakeholders, providing a balanced and inclusive response to all of them.
- f) Contribute to boosting the reputation and the external recognition of the Group.

PRINCIPLES OF THE POLICY

2. The Corporate Social Responsibility and the Adaptation thereof to the Corporate Structure of the Group

To achieve the aforementioned objectives, the Group will be guided by the principles of conduct set forth in the Corporate Governance System, and specifically in the *General Corporate Social Responsibility Policy* and supplementary policies regarding society in general and the various Stakeholders with which it interacts and that are affected by its activities.

The implementation, monitoring and supervision of the principles according to the corporate structure of the Group and its governance model, as defined in the Corporate Governance System, is the responsibility of the various companies of the Group.

Pursuant to the provisions of the *General Corporate Governance Policy*, the following responsibilities shall apply in the application thereof:

- a) The Board of Directors is responsible for establishing the Group's policies and strategies and the basic guidelines for the management thereof, as well as general supervision of the development of the development thereof.
- b) The chairman of the Board of Directors & chief executive officer is responsible for the strategic organisation and coordination of the Group.
- c) The boards of directors of the country subholding companies are responsible for disseminating, implementing, and ensuring compliance with the policies and general guidelines of the Group in each of the countries in which it operates and with respect to the businesses grouped within each of them, taking into account the characteristics and unique aspects thereof.
- d) The boards of directors of the head of business companies are responsible for the day-to-day management of the application of these policies, the effective management thereof, and the responsibility for the day-to-day control thereof.

The exercise of these responsibilities is put into practice through the various committees that assume duties in the area of corporate social responsibility and reputation. Specifically:

- a) Corporate Committee on Corporate Social Responsibility and Reputation, which has the duties of: defining the basic corporate lines of evolution of social responsibility and reputation within the group, approving and monitoring the plans for development in both areas, being aware of the most significant advances, and cooperating in the preparation of the public information disclosed by the Company in these areas.
- b) Corporate Social Responsibility and Reputation Committees within each of the country subholding companies, in order to promote compliance with the policies and guidelines approved in the various countries in which the Group operates: coordinating the corporate strategy among the various businesses carried out in each country and informing the Corporate Committee on Corporate Social Responsibility and Reputation of the results achieved.

3. General Principles of Conduct

In order to meet the goals set out in the area of corporate social responsibility, the Company adopts the following general principles of conduct:

- a) Comply with applicable law in the countries and territories in which it does business, with the supplementary and voluntary adoption of international commitments, rules, and guidelines in those countries in which the legal framework is inadequate or insufficient, basing its relations with the competent public authorities in each jurisdiction on fidelity, reliability, professionalism, collaboration, reciprocity, and good faith.
- b) Support the inclusion of the principles of the United Nations Global Compact, as well as other international instruments, especially in the areas of human rights, labour practices, the environment, and the fight against corruption.
- c) Align its conduct with the principles contained in the *Mission, Vision, and Values of the Iberdrola group* and follow the guidelines contained in the other rules of the Corporate Governance System, especially those of the *Code of Ethics*, which governs the responsible conduct of all professionals of the Group in the performance of their activities.
- d) Favour free market practices, rejecting any illegal or fraudulent practice, implementing effective mechanisms for prevention, surveillance, and punishment of irregular acts.

In particular, a commitment is assumed to pursue and denounce any practice of corruption of which the Group becomes aware in any of the territories in which it operates.

- e) Adopt cutting-edge corporate governance practices, in line with good governance recommendations generally accepted in international markets, based upon business transparency and mutual trust with the Stakeholders.
- f) Encourage communication and dialogue, thus facilitating the Group's relationships with its shareholders, investors, employees, customers, suppliers, and, in general, all of its Stakeholders, in accordance with the *Stakeholder Relations Policy*, in order to forge a sense of belonging to

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an excellent company, to harmonise business values and social expectations, and to adapt, to the extent possible, the policies and strategies of the Group to their interests, concerns, and needs, using all communications within its reach such as direct contact, social networks, and the corporate website of the Company and of the various companies of the Group.

4. Main Principles of Conduct

Set forth below is a description of the main principles of conduct of the Group with respect to the various aspects of corporate social responsibility and with its principal Stakeholders.

4.1 Principles of Conduct with respect to the Sustainable Creation of Value

The sustainable creation of value is the fundamental value governing the policies, strategy, and operations of the Group, and entails the equitable compensation of all groups contributing to the success of the Group's business enterprise and consideration of the social return on new investments, generating employment and wealth for society with a long-term vision that seeks a better future without compromising present results.

The fundamental principles are developed in the *Sustainability Policy* and can be synthesised as follows:

- a) Spread universal access to modern forms of energy, with models that are environmentally sustainable, economically feasible, and socially inclusive.
- b) Establish instruments to strengthen the competitiveness of the energy products supplied through efficiency in energy generation, transmission, and distribution processes. The Company thus pays special attention to the excellent management of its processes and resources, using the instruments developed in the *Quality Policy*.
- c) Implement strategies tending to ensure the safe and reliable supply of energy products.
- d) Advance the sustainable use of resources and the protection of biodiversity and contribute to the fight against climate change, promoting the minimisation of impacts caused by the Group's activities, nurturing respect for the natural environment, and striving to provide information and education in this culture.
- e) Strengthen the social dimension of the Group's activities and contribute to sustainable development through awareness-raising among the citizenry on the responsible consumption of products and services, among other measures.

4.2 Principles of Conduct with respect to Transparency

Transparency is fundamental for transmitting confidence and credibility, both to the markets and investors, as well as to employees and the rest of the Stakeholders. The Company undertakes to:

- a) Disseminate relevant and reliable information regarding the Group's performance and activities.
- b) Encourage transparency, assuming a commitment to annually prepare and publish financial and non-financial information regarding its activities, following generally accepted methodologies and submitting the information to independent external verification with respect to the latter.

In particular, apart from the additional information required by applicable legal provisions in each country or voluntarily assumed by the Company or any of the other companies of its Group, the Company shall publish the following reports: the *Integrated Report*; the *Annual Financial Report*; the *Annual Corporate Governance Report*; the *Sustainability Report*; the *Integrated Report on the Activities of the Consultative Committees of the Board of Directors* (or different reports for each committee, as appropriate), and the *Annual Director Remuneration Report*.

4.3 Principles of Conduct with respect to the Protection of Intellectual Capital

Intellectual capital constitutes the principal differentiating element of competitive companies. Therefore, the Company considers the development and protection thereof to be a fundamental aspect, which is further developed in the *Knowledge Management Policy* and the *Corporate Security Policy*, the main principles of conduct of which are:

- a) Foster initiatives, procedures, and tools that allow the Company to truly and effectively exploit the Group's intellectual capital.
- b) Develop specific defence plans that guarantee the appropriate protection of the Company's intellectual capital, especially with regard to cybersecurity and to the fight against industrial espionage, in accordance with the provisions of the *Corporate Security Policy*.

4.4 Principles of Conduct with respect to Innovation

The Company believes that innovation is a strategic variable that affects all the businesses of the Group and all the activities it carries out. The main principles of conduct that further develop the Group's desire to lead innovation within the energy industry are set forth below and further developed in the *Innovation Policy*.

- a) Promote research, development, and innovation (RD&I) activities, focusing on sustainable development and the promotion of renewable energy and emerging technologies.
- b) Create innovations fostering sustainable growth and the efficient management of resources and contributing to the social and economic development of the surroundings in which the Group does business.
- c) Engage in projects in the area of universalisation of energy services based on models that are environmentally sustainable, economically feasible, and socially inclusive.
- d) Place the Group at the forefront of new technologies and disruptive business models.

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4.5 Principles of Conduct with respect to Responsible Tax Policy

The taxes that the Group pays in the countries and territories in which it does business are the main contributions of the Group's companies to the funding of public purpose needs and, accordingly, one of their contributions to society.

Within the framework of the provisions of the *Corporate Tax Policy*, the Group assumes the following commitments:

- a) Compliance with applicable tax laws in the various countries and territories in which the Group operates.
- b) The making of decisions on tax matters based on a reasonable interpretation of applicable legal provisions and in close relationship to the activities of the Group
- c) Not to create or acquire companies resident in tax havens, with the sole exception of those cases in which it is forced to do so because it is an indirect acquisition in which the company that is resident in a tax haven is part of a group of companies that are being acquired.
- d) Avoid the use of opaque or artificial structures unrelated to the Group's business activities for the sole purpose of reducing its tax burden. In particular, a commitment is made not to enter into transactions with related entities solely to erode the tax basis or to transfer profits to low-tax territories.
- e) The strengthening of the relationship with tax authorities based on trust, good faith, professionalism, cooperation, loyalty, and reciprocity, without prejudice to the legitimate disputes that, observing the aforementioned principles and in the defence of the corporate interest, may arise with such authorities concerning the interpretation of applicable legal provisions

PRINCIPLES OF CONDUCT WITH RESPECT TO THE PRINCIPAL STAKEHOLDERS

5. Principles of Conduct with respect to the Principal Stakeholders

5.1 Shareholders and Investors

The Company's shareholders and investors are the main Stakeholder with which the Group relates. The principles guiding this relationship are:

- a) Shareholders must exercise their rights vis-à-vis the Company and other shareholders, and must comply their duties, acting with loyalty, in good faith, and transparently, within the framework of the corporate interest as the paramount interest ahead of the private interest of each shareholder and in accordance with the Corporate Governance System of the Company.
- b) The Company facilitates and promotes a responsible exercise of their rights and the performance of their duties by the shareholders and the holders of rights or interests in shares, subject to the principle of equal treatment.
- c) The Company favours the informed participation of the shareholders at the General Shareholders' Meeting and takes proper measures to facilitate the effective exercise by the shareholders at a General Shareholders' Meeting of the powers they hold under the law and the Corporate Governance System.

The Board of Directors thus makes available to the shareholders, on the occasion of each General Shareholders' Meeting, a *Shareholder's Guide* and certain rules of implementation that standardise, adapt, further develop, and make more specific the provisions of the Company's Corporate Governance System concerning the exercise of shareholders' rights relating to the holding of the General Shareholders' Meeting.

- d) The Company encourages the engagement of the shareholders in corporate life, especially in the areas of corporate governance and social responsibility. For this purpose, the Board of Directors has adopted various initiatives like Shareholder Day, has created and developed various channels for communication and participation, and has approved the *Shareholder Engagement Policy*.
- e) The Board of Directors of the Company has approved a *Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors* that develops the relations with analysts, institutional investors, and proxy advisors, and recognises ongoing attention to the transparency of information for shareholders and the markets generally as a strategic goal.

5.2 Communities Where the Group Does Business

The Group is characterised by its international presence. In its operations, it assumes the following principles relating to the various territories and communities in which it operates:

- a) Build strong bonds with the communities in which the Group does business, thus generating confidence and forging a sense of belonging to an excellent company, of which they feel they are an integral part.
- b) Harmonise the activities of the Group in the various countries in which it operates with the various social and cultural realities.
- c) Strengthen relations of trust with the various communities with which it interacts, by supporting the various governments and leading social organisations.
- d) Favours access to energy, both by groups with particular economic difficulties and by isolated communities.
- e) Strengthen respect for the rights of ethnic minorities in all of the communities in which the Group is present.
- f) Engage in corporate volunteering programmes that promote the participation of the professionals of the Group in volunteer actions to put into practice the provisions of the *Mission, Vision, and Values of the Iberdrola group* as regards improving the quality of life of people, looking after the environment, and sustainable development, as well as universal access to energy, including collection campaigns that seek to respond to social needs.
- g) Support the promotion and conservation of cultural and artistic heritage of the territories and communities in which the Group does business.

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The Group also collaborates on specific projects in emerging and developing countries as well as in areas in a situation of humanitarian crisis, actively participating in the search for sustainable solutions for access to modern forms of energy.

5.3 The Environment

The Company aspires to be the preferred global energy company, among other reasons, because of its respect for the environment, as highlighted and developed in the following policies: the *Environmental Policy*, the *Policy against Climate Change*, and the *Biodiversity Policy*.

The Group's devotion to leadership in the development of clean energy and respect for the environment are the pillars of its energy production model and the factor that distinguishes it in the energy industry as one of the leading companies worldwide. This takes form in the following basic principles of conduct:

- a) Preserve the biodiversity of the ecosystems, landscapes, and species where the Company carries out its activities, both in the construction stage and in the operation and during the dismantling of its infrastructure.
- b) Prevent pollution by gradually reducing the intensity of greenhouse gas emissions, continuing the development of electric energy from renewable sources, and progressively introducing more efficient technologies having a lower intensity of carbon dioxide emissions.
- c) Optimise the management of hazardous and non-hazardous waste through systems that set objectives and goals on, among other aspects, waste reduction, the use of best practices, and the use of recycled materials.

5.4 Employees

The Group considers its employees to be a strategic asset, to whom it cares for and offers a good working environment, encouraging their development, training, and reconciliation measures, and favouring equality of opportunity.

Therefore, Group companies work to obtain, promote, and retain talent and to encourage the personal and professional growth of all persons within its workforce, making them participants in its successful business enterprise and guaranteeing them a dignified and safe job.

The inter-relation of the various companies of the Group with their employees follows the following principles:

- a) Respect the human and labour rights recognised by domestic and international laws and, in particular, those the violation of which degrades the workforce, which entails the opposition to child labour and to forced or compulsory labour, and respect the freedom of association and of collective bargaining as well as the rights of ethnic minorities in the countries where the Group does business, upon the terms set forth in the *Policy on Respect for Human Rights*.
- b) Recruit, select, and retain talent within a favourable employment relationships framework, based on equality of opportunity, non-discrimination, and the consideration for diversity in all its variables, facilitating measures for the integration of disadvantaged groups and groups with various abilities, and for reconciliation of personal and working life. This principle of conduct is developed in the *Human Resources Framework Policy*, the *Policy on Equal Opportunity and Reconciliation*, and in the *Recruitment and Selection Policy*.
- c) Establish a remuneration policy that favours the hiring of the best professionals and strengthening of the Group's human capital.
- d) Promote the training and qualification of workforce, favouring professional promotion and adapting human resources to a diverse and multicultural work environment. This principle of conduct is developed in the *Knowledge Management Policy*.
- e) Ensure a safe and healthy working environment within the Group and in its spheres of influence. The measures that favour this objective are developed in the *Occupational Safety and Health Policy*.

5.5 Customers

The companies of the Group work to know the needs and expectations of their customers in order to offer them the best solutions, defending the proper operation of the market under free competition, continuously working to care for and increase their satisfaction, strengthening their connection to the Group, and promoting responsible consumption, and therefore assume the following principles of conduct:

- a) Obey and comply with the rules governing communication and marketing activities and accept the voluntary codes that provide transparency and truthfulness to such activities.
- b) See to the protection of the health and safety of its customers in all of the life cycles of the products it sells, by complying with the law applicable in each case and providing training and information to consumers using various instruments: corporate websites, information in invoices, and the development of training and informational campaigns.
- c) Provide information to its customers allowing for a more rational, efficient, and safe use of electricity and gas in the countries in which it sells its products.
- d) Pay attention to customers who are economically disadvantaged or in any other situation of vulnerability, establishing specific procedures of protection and collaborating in providing on-going access to energy and gas supply according to the policies established by the competent government administrations in each case.
- e) Facilitate effective access to information regarding the services provided by the Group that is needed by customers with idiomatic or sensory difficulties, by implementing the appropriate instruments for such purpose.
- f) Adopt the instruments necessary to ensure the confidentiality of the data of its customers, in accordance with the provisions of the *Code of Ethics*.
- g) Pursue continuous improvement of the quality of supply in the various countries in which it operates.
- h) Monitor the quality of the service provided to its customers, through surveys measuring their satisfaction, and through customer service.

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5.6 Suppliers

It is essential to ensure that all participants in the value chain of the Group's companies respond to and accommodate generally accepted ethical and social responsibility principles, in addition to applicable laws and the Corporate Governance System. Therefore, the principles of conduct are:

- a) Adopt responsible practices in the management of the supply chain.
- b) Cause all participants in the value chain to comply with the principles and values set forth in the *Supplier Code of Ethics* regarding business ethics and transparent management, labour practices, health and safety, the environment, the quality and safety of the products and services sold, and development of responsible practices in the supply chain, promoting strict respect for the human and labour rights recognised in domestic and international law, in performing its activities.

This General Corporate Social Responsibility Policy was initially approved by the Board of Directors on 18 December 2007, and was last amended on 23 February 2016.

