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Stakeholder Relations Policy

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Take care of the environment.
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STAKEHOLDER RELATIONS POLICY

The Board of Directors of IBERDROLA, S.A. (the “**Company**”) is vested with the power to design, evaluate, and review the Company’s Corporate Governance System on an on-going basis and to approve the *Corporate Policies* that further develop the principles reflected in such system, which contain the guidelines governing the actions 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**”).

Among the *Corporate Policies*, corporate social responsibility policies are intended to promote a global culture of social responsibility within the Group, which will help improve the well-being of people, promote the economic and social development of the communities in which it has a presence, and create sustainable value for shareholders and investors, employees, customers, suppliers, and other stakeholders of the Company.

Pursuant to the provisions of its *By-Laws*, the Company pursues the fulfilment of the corporate interest, which is understood as the common interest of all shareholders of an independent company oriented towards 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

Along these lines, the Company believes that its relations with those groups that may influence or that are affected by the decisions or the value of the Company and the Group are significant.

There are many such groups within the value chain comprised of the Group businesses. For purposes of this *Stakeholder Relations Policy*, these groups are grouped into the following categories (the “**Stakeholders**”):

- a) Workforce
- b) Shareholders and the financial community
- c) Regulatory entities
- d) Customers
- e) Suppliers
- f) The media
- g) Society at large
- h) The environment

This *Stakeholder Relations Policy* will generally govern the relations of the Company with the groups described above.

The foregoing shall be deemed to be without prejudice to the approval by the Board of Directors of other *Corporate Policies* directed towards specific Stakeholders such as, for instance, those approved in connection with shareholders, employees, or the environment, which set forth the general principles that are to govern the Company’s activities in each specific area.

Given the large number of groups or interests that may be deemed to be included in each of the Stakeholder categories identified above, and in order to manage them properly, the Company may identify subcategories to promote specific aspects of such relations that are focused on the expectations of more specific organisations or groups.

1. Purpose

The Board of Directors has approved this *Stakeholder Relations Policy* in order to foster a framework of relations based on the principles of transparency, active listening, and equal treatment that favours the inclusion of Stakeholders in the business and activities of the Group by means of an effective coordination instrument that makes it possible to forge relations based on trust on an ongoing basis.

2. Basic Principles of Stakeholder Relations

In its relations with stakeholders, the Group accepts and promotes the following basic principles:

- a) Development of a responsible business model in order to be an innovative, transparent, integrating, open, and committed company, capable of creating sustainable value for all its Stakeholders on a shared basis therewith.
- b) Maintenance of a strategy of strong involvement in the communities in which it operates.
- c) Allocation of the necessary resources to the proactive, continued, and systematic establishment of fluid channels for dialogue with Stakeholders, in order to establish balanced relationships between corporate values and social expectations, taking into account their interests, concerns, and needs.
- d) Having a dynamic organisational structure that allows for the promotion and coordination of responsible actions with Stakeholders, and using various instruments to favour communication and dialogue therewith, within a constant process of adaptation to their needs, expectations, and interests: direct contact, the Company’s corporate website, the websites maintained by the different companies of the Group, and the Group’s proactive presence on social media, with a particular impact on social and environmental issues.
- e) The Group’s commitment in connection with business ethics and corporate social responsibility and, in particular, the principles of business honesty and transparency as drivers of credibility and mutual trust, are the foundations on which the Group builds its relations with Stakeholders.

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- f) In decision-making processes that may have potential impacts on the local population, the Group is aware of and takes into account the viewpoints and expectations of affected communities through processes of consultation, which vary depending on the country and business in question, according to applicable law, and which may be supplemented by other processes carried out voluntarily, when it is so deemed appropriate.
- g) The Company is responsible for designing, approving, and overseeing the Stakeholder relations strategy.
- h) As a general rule, the Group companies establish relations with their Stakeholders in accordance with the principle of subsidiarity, such that the Group company that is closest to the Stakeholder is primarily responsible for interaction in each case.
- i) The Group disseminates significant and reliable information on its performance and activities and annually prepares and publishes financial and non-financial information on its activities, following a generally accepted method in the case of non-financial information, and subjecting such information to independent external verification, if appropriate.
- j) The corporate websites of the companies of the Group, their presence on social media, and the Group's digital communication strategy generally are channels of communication serving this Stakeholder Relations Policy, which should be defined by its proximity and usefulness. Its ultimate goal is to encourage the engagement of all of the Company's stakeholders, reinforce their sense of belonging, strengthen the IBERDROLA brand, favour the development of the businesses of the Group, have an impact on its social side, and progress with the digital transformation of the Company.

3. Channels for Dialogue of the Company with Stakeholders

The Company establishes channels for dialogue with its Stakeholders to respond to their needs and expectations. These channels are continuously evolving to adjust to the needs of each moment and the various forms and uses commonly used within each of the channels of communication, based on the suitability thereof and with an attempt to maximise the effectiveness thereof.

Apart from the corporate website, which is one of the main channels for the Company's relations with its Stakeholders, it also has other means of dialogue, including:

- a) Workforce: mixed subcommittees or committees with employees, surveys, suggestion boxes, and the Employee Global Office.
The Group also publishes in-house magazines and uses the intranet as a channel of communication with the workforce.
- b) Shareholders and the financial community: personal contact with fixed income and equity investors, the Office of the Shareholder, the Shareholder's Club, periodic informational brochures, the Shareholders' Ethics Mailbox, and a specific channel for communication with shareholders on the corporate website.
- c) Regulatory entities: consultations and periodic meetings with regulatory entities, both through direct contact and through industry organisations.
- d) Customers: the company has established both face-to-face and remote channels for direct relations with customers, a complaints and claims system, and customer satisfaction surveys, and also promotes other channels for relations with consumer associations and institutions.
- e) Suppliers: the Suppliers' Ethics Mailbox, the supplier portal on the corporate website, the Supplier Service Centre, and supplier satisfaction surveys; while also maintaining processes for supplier registration and classification, meetings with suppliers, and an exclusive mailbox for them.
- f) The media: press releases, individual and group meetings, a mailbox for questions on the corporate website, channels of communication on social networks, and a specific multimedia channel on the corporate website.
- g) Society at large: participation in trade associations and chambers of commerce, relations with social organisations of various kinds in the communities in which the Group is present, and direct relations with the various Government Authorities of the countries in which the Group operates.
- h) The environment: existence of a specific mailbox on the corporate website and participation in social networks with environmental information, together with environmental impact assessments in the implementation of new facilities.

4. Significant Matters

The Company has equipped itself with appropriate tools for the identification of those issues within its business activity that are considered to be significant at the global level, among which the following are noteworthy:

- a) In connection with the workforce: improvements in training, in health and safety conditions, and in working conditions generally.
- b) In connection with the shareholders and the financial community: the financial and economic situation of the Company, shareholder remuneration, and participation in Shareholder Day and at the General Shareholders' Meeting.
- c) In connection with regulatory authorities: safety in supply, the financial aspects of supply (prices and competitiveness), and environmental sustainability.
- d) In connection with the media: matters related to electricity regulation in the countries in which the Group operates, to the Group's strategy and positioning, and to consumption and the Company's social responsibility strategy.
- e) In connection with society at large: matters related to innovation; cooperation with university and research centres; contribution to the community and expansion of energy supply, as well as regulatory issues and responsible tax conduct.

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f) In connection with the environment: climate change, biodiversity, energy efficiency, and water management.

The identification and assessment of the significance of the matters to be taken into account entails a dynamic process and is subject to appropriate evaluation in each of the activities and businesses of the Company, such that they may provide a starting point for the design of suitable responses to be provided during the course of the Group's day-to-day management.

5. Other Processes and/or Instruments for Stakeholder Relations Management

The Board of Directors of the Company and the chairman & chief executive officer thereof are responsible for the design, approval, and supervision of the Stakeholder relations strategy and of the general guidelines that the Group must follow in this regard, without prejudice to the powers of further development and implementation vested in the boards of directors of the country subholding companies and head of business companies within their respective purview.

This strategy is based on information-gathering, surveying, engagement, and collaboration with the Stakeholders.

The Corporate Social Responsibility Committee, the Corporate Committee on Corporate Social Responsibility and Reputation, and the Corporate Social Responsibility and Reputation Committees at each of the country subholding companies are ultimately responsible for supervising and coordinating the development of the strategy for relations between the Group companies and the Stakeholders.

The Company has the following processes and/or instruments supplementing the channels for dialogue established for relations with its Stakeholders:

- a) Process for identifying and selecting significant Stakeholders: the Company uses the Corporate Committee on Corporate Social Responsibility and Reputation referred to in the *General Corporate Social Responsibility Policy* to systematically evaluate both the categories and subcategories of Stakeholders identified as significant for management thereof within the Group and existing relation processes, communication channels, and the results obtained; it adopts through said body such improvements as may be deemed appropriate and reports on the results of such analysis in the *Sustainability Reports* and in the *Integrated Reports*, which are published together with the other annual reports.
- b) Adoption of rules or standards: given the importance of Stakeholder relations in the Group's social responsibility and in external perception by the social environment, internationally recognised rules or standards on the matter, of interest to the Company, are examined and adopted.
- c) Preparation of action plans: in order to improve the Company's relations with its Stakeholders and to respond to their concerns, action plans are established as part of multi-annual corporate social responsibility plans, which take into account the specific characteristics of such Stakeholders and the geographic area in which they operate.
- d) Participation of Stakeholders in the planning and development of the Group's energy projects: within the framework of the principles set forth in this *Stakeholder Relations Policy*, the Company endeavours to take into account the viewpoints of affected communities in the planning and development of its energy projects.

This Stakeholder Relations Policy was initially approved by the Board of Directors on 17 February 2015, and was last amended on 23 February 2016.