

SUSTAINABILITY POLICY

17/12/13

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The Board of Directors of IBERDROLA, S.A. (the “Company”) recognises the importance of focusing on sustainability in all activities carried out by the Company and the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”). From the very beginning, this focus has been an integral part of the vision of the Company and the Group, which comprises the economic, social, and environmental sides to sustainability.

The Group conducts its activities primarily in the energy industry, the current model for which is becoming more sustainable. In this regard, the Group desires to lead this transformation, for which purpose it must continue working in order to provide energy products that are increasingly competitive, cause the lowest possible environmental impact, and are capable of assuring its customers of reliable supply.

Based on these considerations, the Group’s commitment to sustainability rests upon five lines of action:

1. Competitiveness in the energy products supplied, through the achievement of efficiency in energy generation, transmission, and distribution processes such that products can be offered at the best possible price, the use of technologies entailing low operation and maintenance costs, and a diversified mix of the most competitive energy sources based on weather and market conditions.
2. Safety in the supply of energy products, resorting whenever possible to locally-produced primary energy sources, using renewable energy resources, and ensuring the reliability and availability of generation, transmission, and distribution facilities.

The Group also works to maintain high-quality service in order to ensure the availability of energy to its customers, to having in place a robust transmission and distribution network ready to withstand extraordinary events, and to make available the means required to restore service within the shortest possible period.

Finally, the Group fosters a responsible use of energy by supporting energy saving and efficiency measures.

3. Reduction of the environmental impact of operations, through lower-emission energy generation, the implementation of biodiversity programmes, operational efficiency - including a sustainable use of natural resources, the prevention of contamination, and the appropriate management of waste generated by the activities carried out. In addition, the Group endeavours to make a rational and sustainable use of water and to manage the risks associated with the scarcity thereof.
4. Creation of value for shareholders, customers, and suppliers, guarding corporate profits as one of the pillars of the future sustainability of the Company and the Group.

In this regard, the best corporate governance systems available to the Company are in operation, including codes of conduct and compliance and risk management codes, designed to guarantee transparency in the provision of information and to preserve the creation of shareholder value.

Moreover, the Group works keenly on achieving excellent management of its relations with customers, offering them energy products tailored to their needs and capturing the opportunities provided by the market.

Finally, the Group does business in close cooperation with the large supply chain, responsibly performing its role as a powerful business driver within the energy industry.

5. The social dimension of the Group’s activities, including service to the communities in which the Group operates, supplying electricity to the largest possible number of people, offering more vulnerable customers solutions in terms of basic electricity supply, promoting universal access to electricity, and working on social programmes that further strengthen this commitment. All of the foregoing is carried out with full respect for human rights in the regions in which the Group does business.

Last, the Group is engaged in responsible, excellent management of human resources and encourages the formation of teams with a sense of commitment through recognition of the work performed, training in line with the skills of its employees, and the promotion of gender equality in all of its activities.

This Sustainability Policy was approved by the Board of Directors on 17 December 2013.