Sustainability

Report

/

2015

IBERDROLA

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Sustainability Report / 2015

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External Evaluations of the Iberdrola Group

Indices and studies	Iberdrola's ranking
MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM	Total score: 87 points. Only European electric company to have been included in all 16 editions of the index.
GLOBAL100	Only Spanish electric company among the world's 100 most sustainable companies.
Iberdrola confirmed as FTSE4Good constituent FTSE Russell	Five consecutive years on the index. First utility with nuclear assets selected for the index.
CDP A LIST 2015 CLIMATE	Climate Disclosure Leadership Index (CDLI). Score: 100 points.
CDP CLIMATE DISCLOSURE LEADER 2015	Climate Performance Leadership Index A.
GLOBAL ROUNDTABLE ON CLIMATE CHANGE	Iberdrola one of the developers.
MSCI	Iberdrola selected.
NYSE EURONEXT	Iberdrola selected.
ROBECOSAM Sustainability Award Silver Class 2015	Sustainability Yearbook 2015: *"Silver Class"* in the electricity sector.
NEWSWEEK'S GREEN RANKINGS 2014	Most sustainable Spanish utility and fourth most sustainable utility in the world.
merco	Leader among Spanish utilities: electricity, gas, and water.
FUNDACIÓN COMPROMISO Y TRANSPARENCIA	Leading company on the Ibex 35 in *Transparency ranking 2014.*

Contents

Presentation

As is the custom each year, Iberdrola hereby presents its *Sustainability Report*, in this case for financial year 2015, which was approved by its Board of Directors at its meeting of 23 February 2016, after a report from the Corporate Social Responsibility Committee of the Board of Directors.

This report has been prepared in accordance with the recommendations of the *Sustainability Reporting Guidelines* as well as the *Electric Utilities Sector Supplement*, both of the *Global Reporting Initiative* (GRI Guidelines), version G4. Iberdrola publishes this report in order to give its Stakeholders a true and accurate view of its performance during financial year 2015, in compliance with the commitments assumed in its corporate policies: the *General Corporate Social Responsibility Policy* and the *Stakeholder Relations Policy*.

Readers of this *Sustainability Report 2015* may also view the *Annual Corporate Governance Report 2015*, the *Annual Financial Report 2015*, and the *Information Supplementary to the Sustainability Report 2015*, as well as the *Integrated Report. February 2016*, all of which are accessible at www.iberdrola.com, and which contain additional useful information for a complete understanding of Iberdrola's activities during the financial year and of its future prospects.

Note: The figures included in this translation follow the customary English convention, with figures in thousands separated by a comma (,) and decimals indicated by a full stop (.).

Part I.

General Standard Disclosures

1. Strategy and Analysis

G4-1 Statement from the most senior decision-maker

Dear friends,

I am pleased to present to you *Iberdrola's Sustainability Report*, in which you can find thorough and detailed information regarding the Company's economic, social, and environmental performance during 2015 according to the guidelines of the Global Reporting Initiative (GRI).

We achieved two milestones during the past year that are especially significant because they are representative of both Iberdrola's strategy and sustainable business model in recent years and the market's perception of the performance and prospects of our Company.

In the first place, the U.S. company UIL Holdings was merged into our subsidiary Iberdrola USA, giving rise to the company Avangrid, which commenced trading on the New York Stock Exchange with a capitalisation of approximately 12,000 million dollars. The company is the second largest North American wind power producer and distributes electricity and gas in New York, Maine, Connecticut, and Massachusetts. With more than 30,000 million dollars' worth of assets, it provides service to some 9 million people, has an installed capacity of almost 7,000 MW, and has operations covering 25 states and Canada. Avangrid is one of the largest regulated electric companies in the country and is the consolidated company with the lowest level of emissions, which are practically nil.

Furthermore, Iberdrola ended financial year 2015 as the largest European electric company by stock market capitalisation and among the three largest in the world in its sector by this measure, which constitutes recognition by the markets of our company's history and potential as compared to its principal international competitors.

The position reached by Iberdrola is the result of the Company's transformation over the last fifteen years, thanks to an entrepreneurial vision that anticipated industry trends: confirmation that the strong growth in global energy demand could not be satisfied with an inefficient and environmentally-unsustainable model based on fossil fuels. Much to the contrary, the change towards a progressive decarbonisation of the economy, the increase in the weight of electricity in the global energy mix, and the growth of clean energy were unstoppable and irreversible.

To serve this global vision, we dedicated all of the Company's investment, technology, and management potential to launch a strategy directed towards the growth of clean energy, centred on regulated businesses and focused on international expansion in countries with a high level of creditworthiness. This strategy required an ambitious investment programme that ensured financial strength and growing profitability to provide a sustainable dividend to our shareholders.

Implementation has been supported by operational efficiency, management of the balance sheet, customer focus, personnel management, supplier management, and technological innovation.

Underpinning all of the foregoing are the values of effort, ability, honesty, loyalty, team spirit, social commitment, and strict compliance with the principles of transparency and business ethics, which constitute the basis of our corporate governance.

Financial results: strength and foresight

Thanks to the optimisation of operational and financial management, in 2015 we met the goals set out in the Outlook 2014-2016 a year ahead of time. Gross operating profit (EBITDA) grew 4.9% to 7,306 million euros and net profit grew 4.1% to 2,422 million euros compared to the prior year. The excellent performance of the Company during the year allowed for a proposed 4% increase in shareholder remuneration to 0.28 euro per share.

Our share price also increased 17% during the past year –compared to a 7.2% drop in the Ibex-35 and 5.4% drop in the EuroStoxx Utilities Index–, making Iberdrola the European electric company with the best stock market performance in 2015.

Committed to society

For yet another year, Iberdrola has continued to act as an engine for growth and the generation of employment, wealth, and well-being in the countries in which it has a presence, creating sustainable value for all of its stakeholders and for society as a whole. This also applies to our approximately 600,000 shareholders, with total shareholder return coming to almost 20% during the year, the highest among European electric companies.

The commitment to our near 31,000 employees has taken shape in promoting their personal and professional development, with 38 hours of training per employee and some 2,400 promotions per year. We have also made approximately 1,750 new hires and offered internships to 550 young persons.

We have continuously provided our customers, the 100 million people to whom we bring light throughout the world, with safe and high-quality supply, while at the same time offering them better energy solutions.

We have likewise continued to operate as a significant driving force among our 17,600 suppliers, with annual procurement exceeding 7,300 million euros per year. This economic impact on society is in addition to the direct tax contribution generated by the Group's business activities throughout the world, exceeding 5,500 million euros per year.

Iberdrola has also strengthened its commitment to sustainability as one of the most environmentally-friendly European electric companies. Although our emissions per kWh generated are already some 30% below the average for the European electricity sector, at the United Nations Conference of Parties (COP 21) in Paris in 2015 we presented new and ambitious goals to obtain a 50% reduction in CO_2 emissions by 2030 compared to 2007 levels and to be carbon neutral by 2050. At year-end 2015, the intensity of emissions has already decreased 25% compared to 2007, with 63% of our installed capacity being completely emissions-free.

This wager on sustainability has made the Company a leader on indices such as the Dow Jones Sustainability Index, the FTSE4Good, and the Climate Disclosure Leadership Index

At the same time, we have consolidated our position as an international leader in RD&I, an area to which we allocate 200 million euros annually for activities relating to smart grids, clean generation, offshore wind power, and new business technologies and models.

In the area of social commitment, Iberdrola has also continued work on development of the *Programa electricidad para todos (Electricity for All Programme)*, which was launched in 2014 to strengthen activities promoting access to electricity in emerging and developing countries. In Spain, the Company has launched an action protocol and has signed various agreements with autonomous communities and municipalities to ensure the continuity of electricity and gas supply to economically vulnerable customers, in order to protect all of Iberdrola's customers belonging to this group.

The Iberdrola Group has also strengthened the activities of its Foundations throughout the world in the area of youth training and employability (mainly through the International Scholarship Programme, through which more than 530 young persons will have engaged in post-graduate and doctoral studies at international universities in 2016); art and culture (with lighting and the restoration of historical artistic heritage and an art collection of its own); biodiversity (with several programmes to preserve the environment); and cooperation and community service (with actions supporting vulnerable groups).

The future: new growth stage

Iberdrola confronts an immediate future characterised by the need to meet a strong growth in global energy demand using clean and efficient sources to reduce global emissions and combat climate change. Although the electricity sector only accounts for 25% of total emissions, it has the technological potential to contribute to decarbonisation. Furthermore, more than 1,000 million people lack access to electricity on a planet with a population that will grow 30% by 2050 to more than 9,600 million inhabitants. The Company is prepared to take an active role as a global player, providing solutions to the growing electrification of a global economy that requires more renewable energy, more storage capacity and backup energy, and more smart grids, to ensure a safer, more reliable, and more competitive energy model.

In this environment, Iberdrola will commence a new phase of sustainable growth in its main geographic and business areas pursuant to the keystones of its business model, ensuring financial strength and the sustainability of its dividends. The strategic pillars presented by the Company for the 2016-2020 period establish a net investment programme of 24,000 million euros (almost 22,000 million of which is already committed) in the markets of the United Kingdom, the United States, Mexico, Spain, and Brazil. Investments in growth will represent 70% of the total amount.

Regulated businesses or long-term contracts, which provide the safety, stability, and visibility that characterise our business model, will be the focus of 88% of planned investments in the next five years and will generate 81% of the gross operating profit (EBITDA) of the Group by 2020.

During the 2016-2020 period, Iberdrola expects to obtain average annual growth of 6% in both EBITDA and after-tax profit, as well as an improvement in financial ratios. This trend will allow the Company to offer growing remuneration to its shareholders in line with results and a payout of approximately 65-75%, maintaining the formula of the flexible dividend used in recent years and using buy-back transactions to keep the current number of shares stable.

Iberdrola's business enterprise and business model will continue to be focused on the sustainable creation of value for all of its Stakeholders and for the companies of the territories in which it does business. In addition to all of the foregoing, Iberdrola will continue to develop its Corporate Governance System, which is at the forefront in implementing the main recommendations from the international markets and the most advanced trends in this area.

This commitment to corporate governance and transparency, which is contained in the mission, vision, and values of the Company, is one of the hallmarks of our identity and has made Iberdrola an international leader in best practices, earning it significant international recognition.

Ignacio S. Galán,
Chairman and CEO of Iberdrola

G4-2 Key impacts, risks, and opportunities

1. Iberdrola's key impacts on sustainability

The Group's commitment to sustainability is articulated in five basic principles of conduct in accordance with its *Sustainability Policy*:

– Competitiveness of energy products supplied.
– Safety in the supply of energy products.
– Reduction in the environmental impact of all activities performed by companies of the Group.
– Creation of value for shareholders, customers, and suppliers, attending to corporate profits as one of the foundations for the future sustainability of the Company and the Group.
– Boosting the social dimension of the Group's activities.

Competitiveness

Iberdrola seeks competitiveness in the energy products supplied through efficiency in the energy generation, transmission, and distribution processes. This priority permits products to be offered at the best price possible, the use of technologies with lower operating and maintenance costs, and a diversified mix with the most competitive energy sources based on climate and market conditions.

Safety of supply

Iberdrola's strategy focuses on ensuring safety in the supply of energy products, using locally-produced primary energy sources whenever possible, employing the use of renewable energy resources, and ensuring the reliability and availability of generation, transmission, and distribution facilities.

The Group also works to maintain a high quality of service that ensures the availability of energy for customers, for which reason it has both a robust transmission and distribution network to handle extraordinary events and the means necessary to restore service as quickly as possible. The Group also encourages the responsible use of energy, supporting energy savings and efficiency measures.

Reduction of environmental impact

The production and distribution of electricity are industrial activities with a potential impact on the natural environment, caused in order to satisfy the consumption needs of society as a whole. In the environmental dimension, global impacts may be produced throughout the electricity lifecycle on biodiversity, climate, the ozone layer, and acid rain. And at the local level, there are impacts on the consumption of natural resources, emissions, waste, effluents, electromagnetic fields, and the visual landscape. A detailed description of these types of impacts can be found at www.iberdrola.com, under "Environment". Actions to control and reduce these impacts are described both in the section of this report dealing with the environmental dimension and on the corporate website.

The development of clean energies and respect for the environment are the cornerstones of the Group's power production model. Various actions are taken to reduce the environmental impact of its operations, such as the lower-emission power generation, the implementation of biodiversity programmes, operational efficiency, which means the sustainable use of natural resources, the prevention of pollution, and the appropriate management of waste generated by activities. The Group also attempts to make a rational and sustainable use of water and to manage the risks associated with the scarcity thereof.

Value creation

Iberdrola has a clear economic impact as a driver of industrial activity in the areas in which it operates through the investments it makes and the corresponding creation of jobs. It also generates a broad range of service activities in these areas and contributes financial resources to local governments. The challenge is for these activities to be sustainable over time, for which reason the financial management of the Group is based on three pillars:

– The optimisation of its investment capacity, ensuring an effective use of third-party and the Company's own capital, as well as appropriate rates of return that can create value for the Group.

– Efficient operational management of the assets deployed by the Group.

– Maintaining a financial structure that contributes to strengthening the Group's asset base, thus facilitating the accomplishment of its objectives.

The Group also deploys the best corporate governance systems available to it, including conduct and compliance codes, as well as risk management systems, to ensure transparency of information and preserve the creation of shareholder value.

Boosting the social dimension

The Company is progressively strengthening its commitment in the area of social responsibility, so as to promote ethical and responsible behaviour along the entire value chain in all countries in which it operates.

Iberdrola encourages responsible, excellent management of human resources, with teams engaged through the recognition of work performed, training appropriate to the capacities of its employees, and the promotion of equal opportunity in all of its activities.

The Company has also established Stakeholder relationship models that are described in the various chapters of this report, including the model for managing relationships with the communities in which it does business, with which it promotes mechanisms for dialogue and communication, adopting measures to facilitate their economic and social development and fostering policies relating to both employment and the supply chain.

Finally, the Group contributes to sustainable development through citizen awareness campaigns promoting efficient consumption of its products and services.

2. Long-term risks and opportunities. Comprehensive risk system

As provided in the Company's *General Risk Control and Management Policy*, the Iberdrola Group has a comprehensive risk control and management system, the purpose of which is to provide assurances to both shareholders and other Stakeholders and to the markets in general in terms of economic profitability and environmental and social impact, by properly managing the risk/opportunity ratio. The following are the main features of such system:

– A structure of risk policies and limits approved by the boards of directors of the various companies of the Group. The policies are available in full or in a summarised version at www.iberdrola.com.

– Identification and assessment of, and establishment of priorities for, the new key risks of the businesses and the Group.

– Quarterly monitoring and control of the impact of risks on the profit and loss account of the Group.

– Analysis and control of the risks associated with new investments.

As a whole, the system described above makes it possible to explicitly manage the risks associated with the economic, environmental, and social dimensions and the impact that the materialisation of any of them may have on the public perception of the Company. The Company has a *Reputational Risk Framework Policy* in place for this purpose to manage and control reputational risk both from the ethical perspective of the Group's corporate activities and in its activities relating to the quality of electric supply and customer service.

A more detailed description of this system can be found in section "E" of the *Annual Corporate Governance Report 2015* and in the "Main Risk Factors Associated with the Activities of the Iberdrola Group" section of the Consolidated Management Report that is part of the *Annual Financial Report 2015*, all of which are available at www.iberdrola.com.

These documents describe in detail the review conducted by the Company to identify the risks faced by the Group, i.e. risks inherent in the various countries, industries, and markets in which it operates and in the activities that it performs that might prevent it from accomplishing its objectives or successfully implementing its strategies. Such risks are identified in the Risk Management System, which also reviews the Company's exposure to risks of various kinds, which are managed and mitigated through individual monitoring and the corresponding decision-making: corporate governance, market, credit, business, regulatory and political, operational, technological, environmental, social, legal, and reputational.

2. Organisational Profile

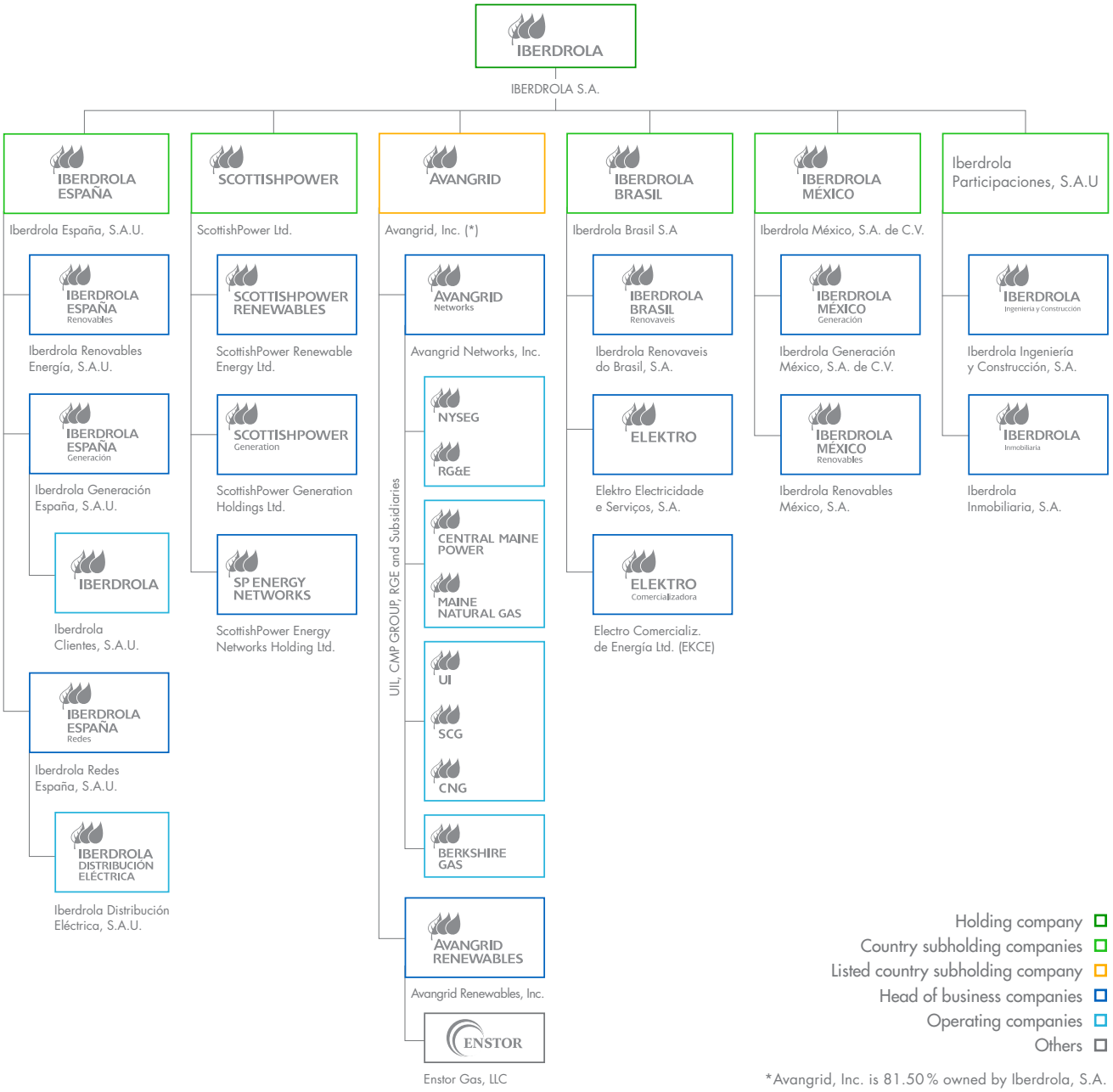
G4-3 Name

Iberdrola, S.A.

G4-4 Primary brands, products, and services

The "Iberdrola" brand reflects the corporate mission, vision, and values and is based on the Company's strategy, which gives it credibility and strength, fulfilling its commitment to leadership in the development of clean energy in Spain and of wind energy worldwide. The Company has created a *Brand Policy*, approved by the Board of Directors in 2015, to protect and contribute to the value of the brand, and to establish certain principles governing the use thereof by the companies of the Group.

Iberdrola, as a global operator, has the brand names listed in the table below at year-end 2015.



The table above only shows the most important brands having the largest presence; the Company has other brands at the local and business level.

The main products that Iberdrola makes available to its customers are electricity and natural gas. It also offers a broad array of products, services, and solutions in the areas of:

– Improvement in the consumer's quality of life, peace of mind, and safety.
– Energy efficiency and services.
– Protection of the environment: renewable energy and sustainable mobility.
– Quality of electricity supply and safety of facilities.
– Assembly of electricity infrastructure.
– Comprehensive management of energy facilities and supplies.

It also provides the following services through its subsidiaries: engineering and construction of electricity generation, distribution, and control facilities; operation and maintenance of electricity generation facilities; land management and development; and the sale and lease of housing, offices, and retail premises. More detailed information in this regard can be found at www.iberdrola.com.

G4-5 Headquarters

The registered office of Iberdrola is:
Plaza Euskadi number 5
48009 Bilbao, Biscay
Spain

G4-6 Countries where there are significant operations

Iberdrola and its subsidiaries and affiliates carry out their activities in almost thirty countries, seventeen of which are considered significant with respect to sustainability issues.

The countries in which they operate, the activities performed in each of them, and the criteria used to define their significance are set forth in the G4-17 indicator of this report.

G4-7 Nature of ownership and legal form

Iberdrola is a sociedad anónima (public limited company) organised under Spanish law.

At 31 December 2015, its share capital totalled 4,752,652,500 euros, represented by 6,336,870,000 shares of the same class and series, each having a nominal value of 0.75 euro. All shares give the holders thereof the same rights. The approximate distribution of equity interests is as follows:

– Foreign entities 62.9%
– Domestic entities 13.7%
– Retail investors 23.4%

G4-8 Markets served

In the countries of operation, described in the G4-17 indicator, the Iberdrola Group provides the products and services described in indicator G4-4 to many different types of customers in the residential, commercial, and corporate spheres, as reflected in indicator EU3. The same types of products and services will be provided in other countries should legal, economic, and social circumstances be appropriate, in line with the Company's strategic approach.

G4-9 Main indicators

The following sections include the key figures for Iberdrola, the corporate structure of which is set forth in indicator G4-42 of this report.

Employees

Employees[1]	2015	2014	2013
Spain	10,569	10,838	11,198
United Kingdom	6,696	6,856	7,380
United States	6,889	5,057	5,041
Mexico	801	736	672
Brazil	3,747	3,745	3,722
Other countries	158	155	244
Basic boundary	28,860	27,387	28,257
Expanded boundary	30,938	29,597	30,532

Operations (centres of activity)

The Iberdrola Group has identified more than 1,200 sites at which the Company operates. In order to adequately manage a large number of them from the viewpoint of the issues dealt with in the GRI Guidelines, rationalisation criteria have been used to address them; accordingly, the number of Iberdrola's locations of operation at year-end 2015 is deemed to be 129 for purposes of this report.

Detailed information on these locations and on the criteria used to define them can be found in the document *Information Supplementary to the Sustainability Report 2015* available at www.iberdrola.com.

Net sales (net revenue)

Net sales (€ millions)	2015	2014	2013
Iberdrola consolidated total	31,418	30,032	31,077

1 The figures in the table reflect the number of employees at year-end 2015, without distinguishing between full-time/part-time employees. To perform statistical analysis regarding labour costs, it is recommended to use the number of employees in terms of Full Time Equivalents (FTEs): 28,837 in 2015, 27,463 in 2014, and 28,189 in 2013.

Total capitalisation, broken down in terms of debt and equity

Total market capitalisation (€ millions)	2015	2014	2013
Subscribed capital	4,753	4,971	4,680
Equity of controlling company	37,159	35,040	34,585
Bank borrowings	30,325	28,349	28,452
Gross property, plant, and equipment in use	100,749	89,474	82,173
Accumulated amortisation and depreciation	(37,525)	(37,861)	(34,204)

Products or services provided

Products or services provided	2015	2014	2013
Iberdrola Total			
Net electricity production (GWh)	136,794	138,892	136,435
Electricity distributed (GWh)	190,167	214,613	214,873
Gas supplies to users (GWh)	101,075	85,092	80,303

Total assets

Total assets (€ millions)	2015	2014	2013
Iberdrola consolidated total	104,664	93,771	89,787

Beneficial ownership

No shareholder holds a controlling interest in the equity structure. Below is a table showing those shareholders who hold a significant interest in the share capital of, or voting rights in, Iberdrola as of 31 December 2013, 2014, and 2015.

Significant shareholders and percentage of direct and indirect voting rights (%)	31/12/2015	31/12/2014	31/12/2013
Qatar Investment Authority	9.726	9.647	9.524
ACS, Actividades de Construcción y Servicios, S.A.	N/A	3.965	5.645
Banco Financiero y de Ahorros, S.A.	N/A	N/A	5.069
Kutxabank, S.A.	3.472	3.601	4.006
BlackRock, Inc.	3.023	3.023	3.043
Société Générale, S.A.	N/A	N/A	4.111
Norges Bank	3.018	N/A	N/A

Sales and costs by geographic area

Sales (net amount in € millions)	2015	2014	2013
Spain	14,470	14,364	15,286
United Kingdom	9,120	8,803	9,655
United States	3,945	3,286	3,176
Mexico	1,734	1,657	1,419
Brazil	1,830	1,641	1,282
Other	319	281	259
Iberdrola consolidated total	31,418	30,032	31,077

Costs (€ millions)	2015	2014[2]	2013[2]
Spain	9,568	9,318	10,239
United Kingdom	6,497	6,522	7,650
United States	2,004	1,413	1,445
Mexico	1,190	1,228	1,014
Brazil	1,502	1,282	1,011
Other	264	176	160
Iberdrola consolidated total	21,025	19,939	21,519

G4-10 Workforce

Employees[3]	2015		2014		2013	
	Men	Women	Men	Women	Men	Women
By type of employee						
Full-time	21,824	5,922	20,846	5,415	21,342	5,496
Part-time	188	926	199	927	224	1,195
By type of contract						
Permanent	21,650	6,751	20,714	6,244	21,231	6,578
Temporary	362	97	331	98	335	113
Basic boundary	22,012	6,848	21,045	6,342	21,566	6,691

The policies followed with subcontracted personnel are described in indicator EU17.

A breakdown by geographic area can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

G4-11 Employees covered by collective bargaining agreements

Generally speaking, the collective bargaining agreements of the Iberdrola Group apply to all employees working under an employment relationship and for the account of the companies of the Group, regardless of the type of contract entered into, the professional group to which they are assigned, their occupation, or the job performed.

However, issues relating to the corporate organisation, the law of each country, or even usage and custom in each country lead to certain groups being expressly excluded from the scope of collective bargaining

2 Data for 2013 and 2014 has been revised.

3 The total number of employees and the definitions of the boundaries are in indicators G4-9 and G4-17 of this report.

agreements (for example, executives in Spain are not covered by the agreement). This is why there is not 100% coverage, as indicated in the table below:

Employees covered by a collective bargaining agreement	2015	2014	2013
Basic boundary			
Number of employees	21,635	21,221	22,042
Percentage of employees	74.97	77.49	78.00

A breakdown by geographic area can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

G4-12 Description of supply chain

Introduction

The Iberdrola Group's supply chain consists of two different processes:

– the acquisition of material and equipment and the procurement of works and services, handled by the Group's Procurement Division, which is within the Finance and Resources Division.

– the acquisition of fuel, handled by the Wholesale and Retail Business.

Both processes have their own specific characteristics in their various phases: registration and classification of suppliers, bidding process, execution of contracts, monitoring of contractual terms, and quality control, but both are guided by the same principles emanating from the corporate policies and the *Code of Ethics*, which are approved by the Company's Board of Directors and are available at www.iberdrola.com.

Acquisition of material and equipment and procurement of works and services

Iberdrola placed orders with more than 17,600 suppliers during 2015. The following table shows the economic volume of purchases by Iberdrola for these types of supplies, as well as a geographic breakdown thereof:

General supply of equipment, materials, works, and services (€ millions)	2015[4]	2014	2013
Spain	1,297	1,316	1,364
United Kingdom	1,764	1,610	1,572
United States	1,128	1,057	840
Mexico	479	332	217
Brazil	164	165	180
Other	261	119	186
Basic boundary	5,093	4,599	4,359

4 Volume of supplies billed during the year. Supplies in the amount of 7,300 million euros were awarded during the same year.

These high purchase volumes boost growth in those countries in which the Company engages in procurement, favouring their business, industrial, and social development through the creation of employment at service providers and their auxiliary industries.

Acquisition of fuel

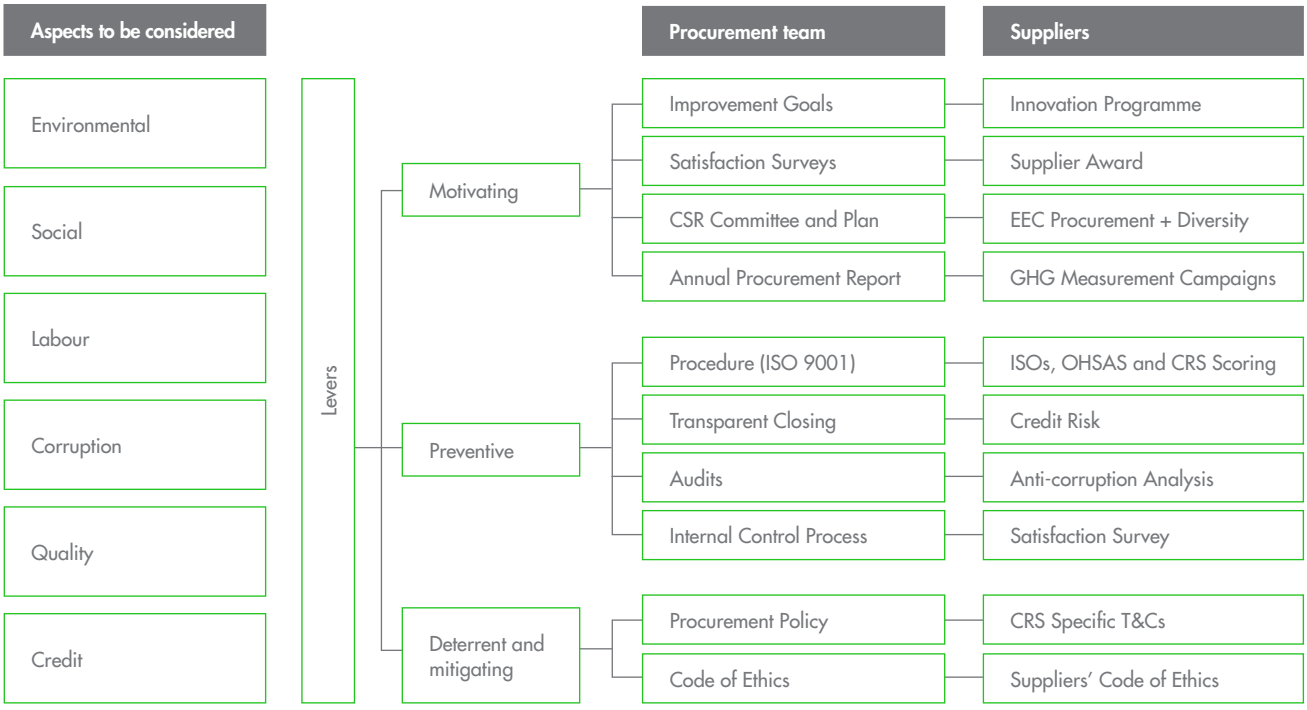
Iberdrola dedicated approximately 3,700 million euros to the acquisition of coal, natural gas, and uranium in 2015. Except for uranium, which is acquired in Spain exclusively through the Empresa Nacional de Uranio (Enusa), acquisitions of coal and natural gas are made on the international market, mainly through long-term commercial relationships with approximately 30 large domestic and international suppliers and market operators (producers and traders).

Management of supply chain

The rapid and comprehensive transformation carried out by Iberdrola in recent years has also multiplied its responsibility as a global company to thousands of suppliers that place orders during the year and that are located in different parts of the world.

For that reason, the Iberdrola Group's Procurement Division has a *Global Supplier Management Model* the purpose of which is the creation of long-term value through the management of opportunities and of the risks stemming from relevant economic, environmental, and social variables. This model has meant bringing the supplier and supply framework closer to the CSR parameters required by the Group, generating a multiplier effect on the value chain in the search for excellence.

The chart below shows the main mechanisms of the supplier management model:



The Procurement Division adopts a proactive attitude in responding to internal and external requirements, and makes a firm commitment at all levels, developing new capacities and turning suppliers into participants from the initial contact with the Group.

Thus, the Procurement Division develops various initiatives designed to ensure sustainability in the supply chain, including ethical commitments and commitments of respect for human rights and the fight against corruption, taking as a starting point the principles established in the *Policy on Respect for Human Rights*, in the *Procurement Policy*, and particularly in the *Suppliers' Code of Ethics*. Below is a list of such initiatives:

Policies and procedures

– *Procurement Policy* and procurement procedures: these establish the global framework for the control and management of procurement processes, with particular emphasis on fulfilment of the ethical commitments of the professionals of the Group and of its suppliers.

– *Suppliers' Code of Ethics*: considering that suppliers are strategic stakeholders, the Company has established specific principles of conduct for them in their area of activity, always aligned with the principles and values of the Group. This Code is communicated to all suppliers during the bidding phase and is part of the documentation both of the request for bids and of the final contract documentation with the successful bidder.

Specific clauses in the contracting conditions of the Iberdrola Group

These conditions include contractual provisions requiring the parties to act within the most stringent levels of safety, occupational risk prevention, environmental protection, and respect for and protection of human rights, as well as to eliminate all forms of forced and compulsory labour, prevent any form of child labour, eliminate all discriminatory practices, fight corruption, etc.

Registration, classification, and evaluation of suppliers

Suppliers (both new and existing) are reviewed, classified, and evaluated internally within the context of the proposed purchase transaction, both according to their specialisation, the criticality of supply, and the total amount of the purchase, as well as the low possibility of substitution, inasmuch as the foregoing may negatively and significantly affect the achievement of the Company's strategic objectives in the event of non-performance or defective performance.

In this connection, priority will be given to suppliers that have advanced management systems certified by a third party and, in particular:

– Environmental management system.

– Quality management system.

– Occupational risk prevention system.

– Action plan for corporate social responsibility and respect for human rights.

In evaluating the supplier, sustainability has a weight of 40% in the total score, with the other 60% being credit risk and technical solvency.

Evaluation of risks of supplier corruption

The procurement process carried out by the Procurement Division includes an evaluation of the risk of supplier corruption and the performance of due diligence reviews on suppliers considered to present the greatest risk. More than 90% of total purchases were analysed in 2015.

Credit risk review at suppliers

In order to prevent the potential negative consequences for Iberdrola of suppliers failing to honour their commitments, the Procurement Division has a credit risk management system for the main suppliers of the Group. More than 87% of total purchases were analysed in 2015.

Procurement training

– There were more than 1,600 hours of live training with the Procurement team during the year, with 15 sessions in Spain, the United Kingdom, the United States, Mexico, and Brazil. The contents of this training focus on knowledge of the principles established in the *Procurement Policy*, CSR measures in the supply chain, internal and external risks, area objectives, and cybersecurity. The average score of the attendants following the training exceeds 8 points out of 10.

– Supplier involvement campaigns. To improve the status of suppliers with lower performance in the area of sustainability, improvement and awareness-raising activities are conducted throughout the year in order for suppliers to achieve certification. The results achieved with these actions are reflected in the following table:

Amount awarded to suppliers with management systems (%)[5]	**2015**	**2014**	**2013**
Basic boundary			
Amount awarded to qualified suppliers	93.5	92.3	86.8
Certified quality management system (ISO 9001 or equivalent)	84.5	83.7	84.4
Certified environmental management system (ISO 14001 or equivalent)	75.2	76.9	75.0
Certified risk prevention management system (OHSAS 18001 or equivalent)	69.2	71.5	69.1

Fuel purchases are also subject to the general principles stemming from Iberdrola's social responsibility policies in order to foster socially responsible actions, respect for the environment, and the prevention of occupational risks at supplier companies.

Iberdrola carries out an internal evaluation of its main fuel suppliers in accordance with economic, logistics, environmental, and social standards. Aspects assessed are: the existence of an environmental policy, information regarding CO_2 emissions, emission reduction initiatives, energy efficiency, biodiversity conservation, occupational health and safety, equal opportunity, human rights, and ethical behaviour (anti-bribery and anti-corruption practices).

When establishing supply contracts, apart from agreeing on contractual elements that respect the law applicable in the countries involved in the transaction, Iberdrola negotiates the inclusion of clauses regarding social responsibility. Currently, all contracts for imported coal and for uranium have these types of clauses. The inclusion of these clauses will be negotiated for the new natural gas contracts.

5 Scope: Suppliers of materials, equipment, works, and services with orders for amounts equal to or greater than €400,000 during the year, which represents more than 90% of the total amount contracted (information as at the end of December 2015).

Iberdrola has recently joined the international BetterCoal initiative, which includes some of the leading European energy companies which perform coal-purchasing. Its aim is to set a standard for ethical, environmental, and social conduct, evaluate the conduct of producers through audits, create a database with the results of such evaluations, and improve producers' actions.

During 2015, Iberdrola received no external complaints through the channels established for this purpose with respect to the supply chain, and has not cancelled any supply contract or order upon grounds relating to human rights, corruption, labour practices, or environmental practices.

G4-13 Significant changes during the financial year

Changes in activities and/or in operations

In the course of their business, the various subsidiaries and affiliates of Iberdrola have carried out transactions that change the composition of their assets, including the following:

– On 2 March 2015, Iberdrola reported the transfer by Iberdrola Energía, S.A. (Single-Member Company) of its direct equity interest in the Brazilian distributors Companhia de Eletricidade do Estado de Bahia – Coelba S.A. ("Coelba") and Companhia Energética do Rio Grande do Norte – Cosern S.A. ("Cosern") to Neoenergia S.A., under a purchase and sale agreement executed 27 February 2015. Iberdrola Energía, S.A. (Single-Member Company) owns 39% of Neoenergia, S.A., and the latter in turn now owns 96.34% of Coelba and 91.48% of Cosern.

– On 26 February 2015, the CNMV was notified that the Boards of Directors of Iberdrola, Iberdrola USA, Inc. (now Avangrid, Inc.), and UIL Holdings Corporation approved the terms of an agreement to integrate the latter into the Iberdrola Group through a merger by acquisition on the part of a company wholly owned by Iberdrola USA, Inc. (Green Merger Sub, Inc., domiciled in the United States and formed for the purpose of acquiring UIL Holdings Corporation).

On 16 December 2015, the merger by acquisition was completed pursuant to which Iberdrola USA, Inc. changed its name to Avangrid, Inc., 81.5% of which is held by Iberdrola, S.A. and the remaining 18.5% by the former shareholders of UIL Holdings Corporation. Shares of Avangrid, Inc. commenced trading on the New York Stock Exchange (NYSE: AGR) on 17 December.

Changes in capital structure

The shareholders acting at the General Shareholders' Meeting of Iberdrola held on 27 March 2015 approved two increases in capital by means of a scrip issue in order to once again implement the *Iberdrola Flexible Dividend* system, implementing the first increase in capital in July 2015 and the second in January 2016.

Participation in external initiatives

G4-14 Precautionary principle

The precautionary principle is included in Iberdrola's *Environmental Policy* approved by its Board of Directors, among the Group's basic principles of conduct on environmental matters. Its application is reflected by the wager on more environmentally efficient technologies, particularly renewable energy, which is more effective in the fight against climate change and more respectful of biodiversity.

The precautionary approach also takes the form of continuous awareness and evaluation of the environmental risks of production facilities, preventing such risks from occurring and, where applicable, minimising the consequences if they occur.

In 2015, the Life Cycle Analysis (LCA), an innovative element for understanding the environmental impact of the Company's facilities included under the precautionary principle, was added into Iberdrola's Environmental Management System. Under the framework of these management systems, emergency drills are conducted at facilities, and the causes of incidents are analysed in order to prevent any possible future accidents. Another key component of these management systems is training, which allows the principles underpinning such systems to be disseminated across the organisation.

Following the guidelines established in the Group's environmental policies approved by the Board of Directors, in 2015 Iberdrola implemented a lifecycle-based model for calculation of the organisation's environmental footprint, which will serve, among other things, as an element of risk management and mitigation. It also developed the first product environmental impact statements for two wind farms, providing *a priori* knowledge of the impacts of these farms throughout their life cycle.

G4-15 Externally developed principles or initiatives to which the organisation subscribes or which it endorses.

The Company has subscribed to or endorsed external initiatives aligned with sustainable development and encouraged its affiliated companies to adhere to them. Iberdrola supports or subscribes to:

– The Global Compact since 2002. It has also committed to other initiatives of the Global Compact in connection with human rights and has a wide range of policies governing respect for these rights, a *Code of Ethics* that applies to all employees, a *Suppliers' Code of Ethics* and a Declaration of the chairman acknowledging the importance of such rights in the conduct of the Company's business activities.

– The *Good Tax Practices Code* of the Large Business Forum of the Spanish Tax Agency, part of the Ministry of Economy and Finance, since 2010, which involves following a course of conduct that goes beyond respect for and strict compliance with statutes and regulations, to contribute actively and voluntarily to economic, social, and environmental improvement.

– The Company participated in the XXI International Climate Change Conference (COP21) held in Paris in December 2015, highlighting its contribution to the challenge of global warming. Iberdrola has set itself an ambitious environmental goal: to reduce the intensity of CO_2 emissions below 150 g/kWh in 2030, a figure that is 50% lower than the emissions specific to the Company in 2007, consistent with the Company's commitment to sustainable development and the fight against climate change. A partial summary of the organisations and initiatives with which it has collaborated more actively throughout the entire process is provided below:

- World Economic Forum (WEF) –CEO Climate Leaders–.
- World Business Council of Sustainable Development (WBCSD) –Low Carbon Technology Partnership Initiative–.
- The Prince of Wales's Corporate Leaders Group. Green Growth Platform.
- Global Sustainable Electricity Partnership (GSEP).
- World Climate Summit.
- SE4ALL.
- We Mean Business.
- United Nations Global Compact.
- Spanish Green Growth Group (*Grupo Español de Crecimiento Verde*).
- The Climate Group.
- Caring for Climate.
- CERES.
- The Paris Pledge.

Iberdrola forms part of many of these initiatives, which allows it to strengthen its leading role as a participant in the process to implement the Paris Agreement over the coming years.

Items of note in the Spanish context are a very active collaboration with the Spanish Office of Climate Change, the presentation of Iberdrola's commitment to the Un millón de compromisos por el clima (A Million Commitments for Climate) project of the Ministry of Agriculture, Food, and Environment, and its participation in the Spanish Green Growth Group, of which Iberdrola is vice-president.

Iberdrola Renovables has joined in various initiatives, including: Offshore Wind Accelerator, the Radar Working Group, the Technology Innovation Centre, Women in Renewables Scotland, and the Gold Standard certification, all of them in the area of renewable energy.

Elektro, in addition to being committed to the Global Compact since 2007, in 2015 continued with the *Promoção da Economia Verde e Inclusiva (Promotion of Green and Inclusive Economy)* initiative as part of the initiatives of the United Nations Conference on Sustainable Development (Rio+20).

In Spain, Iberdrola adhered to an SF_6 emissions reduction initiative, within the framework of an agreement between the *Asociación Española de la Industria Eléctrica* (Spanish Electrical Industry Association) (Unesa) and the Ministry of the Environment. It has also continued its collaboration with various universities and government administrations at a variety of seminars and workshops on energy, as well as in initiatives for the protection of biodiversity.

Iberdrola provided support to the Mexican Red Cross for its 2015 national collection *Juntos salvemos vidas (Let's Save Lives Together)*.

Finally, in the United States, Iberdrola, as a member of the National Edison Electrical Institute, continued its support of the *Fleet Electrification Initiative* and the *Reforming the Energy Vision (REV)* initiatives, a strategy of New York State which promotes the efficient use of energy.

G4-16 Principal associations to which the organisation belongs

Iberdrola is a member of numerous organisations related to its activities, the most significant of which are listed in the following table:

International	
World Association Nuclear Operator (WANO)	European Wind Energy Association (EWEA)
World Nuclear Association (WNA)	European BWR-Forum
Institute for Nuclear Power Operations (INPO)	Global Wind Energy Council (GWEC)
Scotland Europa	Nuclear Industry Association (NIA)
International Electrotechnical Commission/European Committee for Electrotechnical Standardisation (IEC/Cenelec)	International Council on Large Electric Systems (Cigre)
Global Sustainable Electricity Partnership (GSEP)	World Energy Council
BetterCoal	European Utilities Telecom Council
World Business Council for Sustainable Development (WBCSD)	International Conference on Large Power Networks (Cired)
BWROG Association	Smart Life
Institute of Asset Management	International Emissions Trading Association (IETA)
The Prince of Wales´s Corporate Leaders Group	Caring for Climate
Global Compact	World Economic Forum (WEF)
European Round Table (ERT)	
Spain	
Sociedad Nuclear Española	Asociación Empresarial Eólica (AEE)
Foro de la Industria Nuclear Española	Unión Española Fotovoltaica (UNEF)
Asociación Española del Gas (Sedigas)	Red Española del Pacto Mundial
Asociación Española de Profesionales de Compras, Contratación y Aprovisionamiento (Aerce)	Confederación Española de Organizaciones Empresariales (CEOE/ Cepyme)
Asociación Española de la Industria Eléctrica (Unesa)	Círculo de Empresarios
Asociación Española para la Calidad (AEC)	Cámara de Comercio de España
Subcomité Técnico de Normalización SC1. (Aenor: AEN/CTN 207/SC 10)	Club de Excelencia en Sostenibilidad
Sociedad Española de Protección Radiológica	Club Español de la Energía
Sistema Arbitral de Consumo	Grupo Español de Crecimiento Verde

United Kingdom	
The Confederation of British Industry	Joint Environment Programme
The Scottish Council for Development and Industry	Women in Renewables Scotland
Energy UK	Offshore Wind Accelerator
Energy Networks Association	Industrial & Power Association
Radar Working Group	Ministerial EV Strategy Group
Scottish Fuel Poverty Forum & ECO Sub-Group	Scottish Windfarm Bird Steering Group
Department for Energy and Climate Change – Energy Company Obligation Steering Group & Green Deal Advisory Group	All Party Parliamentary Group for Energy Studies, Parliamentary Renewable & Sustainable Energy Group & All Party Parliamentary Corporate Responsibility Group
Energy & Efficiency Industrial Partnership, Energy & Utility Skills & National Skills Academy for Power	Scottish Environment Link
Technology Innovation Centre	Green Alliance
Renewable UK	Scottish Renewables
United States of America	
Business Council of New York State	American Wind Energy Association (AWEA)
Mid-Atlantic Renewable Energy Coalition (PJM States)	Renewable Energy New England (New England States)
Greater Binghamton Chamber of Commerce	E2Tech
Maine & Company	Maine State Chamber of Commerce (MSCC)
Northeast Gas Association (NGA)	Renewable Northwest Project
Renewable Energy Northeast	The Wind Coalition
Gas Technology Institute	Independent Energy Producers Association
Edison Electric Institute (EEI)	Wind on the Wires
Interwest Energy Alliance	Alliance for Clean Energy – New York
Mexico	
Asociación Mexicana de Energía Eólica	Cámara Española de Comercio, A.C.
Asociación Mexicana de Energía A.C.	Consejo Coordinador Empresarial A.C.
Confederación Patronal de la República Mexicana (Coparmex)	Cámara Nacional de la Industria de Transformación Ensenada
Cámara de la Industria de Transformación de Nuevo León	Consejo Empresarial Mexicano de Comercio Exterior Inversión y Tecnología, A.C.

Brazil	
Associação Brasileira de Distribuidoras de Energia Elétrica	Associação Brasileira dos Contadores do Setor de Energia Elétrica
Associação Brasileira das Relações Empresa Cliente	Comitê Brasileiro da Comissão de Integração Energética Regional
Instituto Abradee da Energia	Associação Brasileira da Infraestrutura
Associação Brasileira de Energia Solar Fotovoltaica	Câmara Americana de Comèrcio
Associação Brasileira de Comunicação Empresarial	Associação Brasileira de Energia Eólica
Instituto Ethos de Responsabilidade Social	Associação Brasileira de Recursos Humanos

For more details on the Company's commitment to the above, its participation within various committees, the contributions it makes, or its strategic involvement, please consult public information or visit the websites of these organisations.

GRI Sector Supplement Indicators

EU1 Installed capacity

Installed capacity by energy source (MW)	2015	2014	2013
Hydroelectric	11,076	9,869	9,869
Renewable[6]	14,787	14,652	14,306
Thermal coal-fuel	3,178	3,178	3,178
Combined cycle	12,762	12,742	12,995
Cogeneration	1,258	1,238	1,233
Nuclear	3,410	3,410	3,410
Iberdrola Total	46,471	45,089	44,992

Information by geographic area can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

6 Renewable: wind, solar, mini-hydro.

EU2 Energy output

Net energy output by source of energy (GWh)	2015	2014	2013
Hydroelectric	15,861	20,636	17,678
Renewable[6]	32,812	33,862	33,983
Thermal coal-fuel	11,520	12,102	12,589
Combined cycle	46,746	42,126	42,454
Cogeneration	6,711	5,734	6,843
Nuclear	23,142	24,431	22,888
Iberdrola Total	136,794	138,892	136,435

Information by geographic area can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

EU3 Electricity users and producers

Electricity users (%)	2015	2014	2013
Iberdrola Total			
Residential	90.2	90.3	90.3
Industrial	0.9	1.0	0.9
Institutional	0.9	0.9	0.9
Retail	5.8	5.6	5.8
Other	2.2	2.2	2.1

Users who are producers (no.)	2015	2014	2013
Iberdrola Total			
Users that are also producers of electricity	71,911	69,587	41,630

At year-end 2015, the subsidiaries and affiliates of the Group covered by this report (expanded boundary) handle a total of 29.7 million electricity supply points.

Information by geographic area can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

EU4 Transmission and distribution lines

Power lines[7] (Km)	2015	2014	2013
Transmission			
Overhead	29,857	29,446	35,240
Underground	938	960	1,165
Iberdrola Total	30,795	30,406	36,406
Distribution			
Overhead	856,461	846,281	829,885
Underground	188,828	187,868	186,248
Iberdrola Total	1,045,289	1,034,149	1,016,134

Due to the nature of the respective electric systems, the voltage levels used for the transmission and distribution of power are not the same in all countries. In Latin America, transmission lines are deemed to be those with a nominal voltage equal to or greater than 69 kV; in the United States and in the United Kingdom, transmission lines are deemed to be those with a nominal voltage equal to or greater than 132 kV; in Spain, transmission lines are deemed to be those with a nominal voltage greater than 220 kV.

Information by geographic area can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

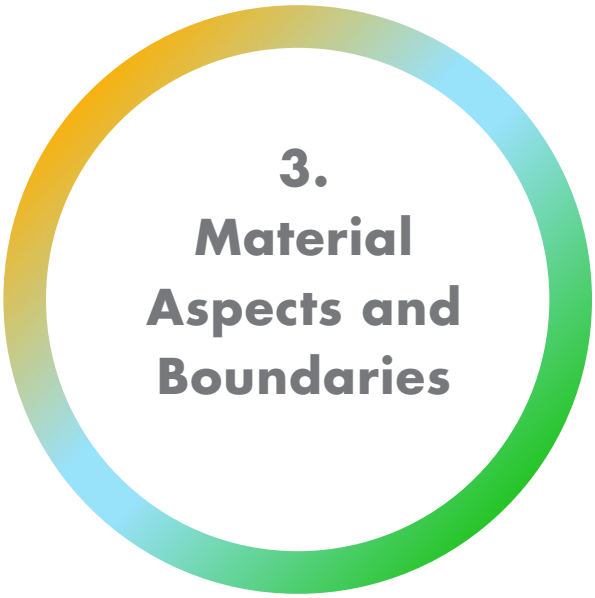
EU5 Allocation of CO_2 emissions allowances or equivalent

Of Iberdrola's facilities, only the European facilities are subject to trading in emissions rights, for which reason this indicator does not affect the thermal generation facilities in Mexico, Brazil, or the United States.

The European facilities have not received free trading rights since 2013, for which reason they have had to obtain them at auction to offset the emissions produced by the facilities in Spain and the United Kingdom. Only the Tarragona Power combined cycle plant, with emissions of 358 kt CO_2, received an allotment of 25,788 rights.

Total emissions of the European facilities in 2015 were 15.9 million tonnes and were covered by purchases on the market and surpluses from prior years.

7 Lengths of lines are calculated by circuit, regardless of the number of circuits for each power line. A double-circuit 5-km line is considered to be 10 km.



3. Material Aspects and Boundaries

G4-17 Entities included in the organisation's consolidated financial statements and in the boundary of this report.

A. Introduction

Iberdrola, with a presence in almost thirty countries, has followed the GRI recommendations in defining the boundary of this report, taking into account the entities in which it has control, those in which it has significant influence, and the activities that are significant for the Group from the economic, environmental, and social standpoint.

For purposes of this report, the following terms have the meanings set forth below:

– "Iberdrola" or the "Company": the Spanish company Iberdrola, S.A., parent company of the Iberdrola Group.

– "Iberdrola Group" or the "Group": Iberdrola (as parent company) and the group of subsidiaries over which Iberdrola has the power of control or joint control.

– "Affiliated companies" or "Affiliates": the group of companies in which Iberdrola has a percentage interest but not the power to exercise control. Some of these companies, identified below, are included in this report because they are deemed to be companies over which significant influence is exercised for purposes hereof.

The companies in which Iberdrola owns a direct or indirect equity interest are listed in the document *Annual Consolidated Financial Statements* and *Consolidated Management Report for the Financial Year ended 31 December 2015.*

B. Information boundaries of this report

The presentation of the Company's public information is subject to the following external factors:

– The scope and basis of presentation of financial information must comply with established statutory requirements.

– The environmental and social information is presented in accordance with the new legal requirements as to content, leaving open the reporting framework to be used. This is the reason why Iberdrola has voluntarily elected to use the GRI-G4 guidelines in the preparation of this report.

To reconcile these factors, Iberdrola has established three quantitative information boundaries: basic boundary, expanded boundary, and global boundary.

B1. Basic boundary

This boundary is formed by Iberdrola, S.A., its significant subsidiaries for sustainability purposes, and its fully or proportionately consolidated affiliates that are significant for sustainability purposes.

The subsidiaries or affiliates within this boundary are all those that operate in the countries listed in table B1.1. and that carry out the activities described therein.

B1.1 Significant countries and activities for the Iberdrola Group in terms of sustainability and included in the 2015 reporting boundary.

	Group Office	Electricity production		Transmission and/or Distribution of electricity or gas	Electricity and/or gas supply[1]		Gas storage	Engineering and construction [2]		Real estate
		Conventional	Renewable [3]		Wholesale market	Retail market		Construction and/or operation of large facilities	Other projects	
Spain[4]	X	X	X	X	LIB	LIB		X	X	X
United Kingdom	X	X	X[5]	X	LIB	LIB	X	X	X	
United States [6] [7]	X		X	X	LIB	REG	X	X	X	
Brazil	X		X	X		REG			X	
Mexico	X	X	X					X	X	
Portugal	X		X		LIB	LIB[8]		X	X	
Germany	X		X[9]		LIB	LIB		X		
Kenya	X							X		
South Africa	X							X		
France	X				LIB	LIB		X		
Canada	X				LIB		X[10]	X[10]		
Greece	X		X[5]							
Hungary	X		X							
Honduras	X								X	
Romania	X		X							
Italy	X		X						X	
Poland	X							X		

1) Types of sales activities:

LIB: activities in liberalised markets, independent of distribution activities.

REG: activities in regulated markets, together with distribution activities. The supply to these markets has not been considered as an activity in the wholesale market.

2) These activities are described in detail at www.iberdrolaingenieria.com.

3) Environmental information regarding renewables activities in Brazil and Portugal is not consolidated because it is not integrated into the corporate systems as of the date of preparation of this report. Furthermore, no social or environmental information is included on facilities in Italy, Spain, the United Kingdom, or the United States, in which the company has an interest of less than 50%.

4) Any reference to the 6th Collective Bargaining Agreement includes the following companies at 31 December 2015: Iberdrola S.A., Iberdrola España S.A.U., Iberdrola Generación, S.A.U., Iberdrola Generación España, S.A.U., Iberdrola Operación y Mantenimiento S.A.U., Iberdrola Generación Nuclear S.A.U., Iberdrola Clientes S.A.U., Iberdrola Distribución Eléctrica S.A.U., and Iberdrola Renovables Energía, S.A.U.

5) Renewables activities from the Republic of Ireland are included in the United Kingdom and renewables activities from Cyprus are included in Greece.

6) On 16 December 2015, Iberdrola USA completed a merger with the U.S. company UIL Holdings Corporation, dedicated to the transmission and distribution of electrical energy and natural gas. The new company took the name Avangrid and began trading on the New York Stock Exchange the next day.

All corporate principles and policies described in this report's management approaches have been applicable to the new company since the time of its creation. The total year-end numerical data in this report include Avangrid's figures. However, the annual performance data and ratios for the Human Resources, Environment, and Procurement areas do not include data for the former UIL during the period 16-31 December 2015, as the data was not yet integrated into the corporate systems, except for indicators G4-11, G4-LA1, and G4-LA16. Given the small impact involved in the 15 days of integration into the Group, this criterion is deemed to be acceptable as it does not distort a reader's assessment of the Iberdrola Group's performance.

7) The Environmental Dimension excludes information corresponding to the U.S. subsidiary Maine Natural Gas as it was not included in the corporate systems on the date of preparation of this report.

8) The activities of electricity and/or gas supply in Portugal are included in Spain.

9) Activities relating to the 350 MW Wikinger offshore wind farm. Start-up is projected for 2017. All major construction contracts were signed in 2015 and the manufacture of certain key components has begun.

10) These activities are not significant from the environmental standpoint. In the labour area, the respective information is included in the information for the United States.

At affiliate nuclear plants, the percentage interest held by Iberdrola in each of them is used to consolidate environmental performance data: Vandellós (28%), Almaraz (52.69%); Trillo (49%), and Ascó (15%). For social information, on the other hand, because of the structure of the available information systems, nuclear plants are consolidated according to the percentage interest held by Iberdrola in the economic interest grouping (*agrupación de interés económico*) created for that purpose; such interest is 51.41% in the case of Trillo-Almaraz and 14.59% in the case of Ascó-Vandellós.

Cogeneration companies that are subsidiaries of Iberdrola Cogeneración, in which the interest held is 99%, consolidate their environmental and social information applying a percentage of 100%.

The subsidiaries or affiliates operating in the countries shown in table B1.2. below are excluded from the basic boundary because their activities are considered to be non-significant for the Group.

B1.2. Non-significant activities in terms of sustainability, in countries of the Iberdrola Group, excluded from the 2015 basic reporting boundary.

	Group Office	Electricity or gas supply and/ or gas storage	Engineering and construction	Real estate
Belgium and France.	X			
Austria, Belgium, The Netherlands, and Switzerland.		X		
Bulgaria, Qatar, Egypt, Montenegro, Slovak Republic, Ukraine, and Venezuela.			X	
Portugal, Bulgaria, and Mexico.				X

Despite the fact that they are not included in the charts and tables of the basic boundary, these activities are managed by Iberdrola in the same manner as significant activities, and the following standards are applied:

– The qualitative aspects set forth in this report, such as the principles and corporate policies that the Iberdrola Group adopts and publishes, as well as business strategies, apply to all activities of the subsidiaries of the Group, in all countries in which they operate, without prejudice to the effective decision-making capacity of regulated companies in accordance with laws and regulations governing the separation of activities. This includes the information on management focus, objectives, and performance set forth in this report.

– In the countries and activities that are not included in the quantitative basic boundary, the application is ensured of the same procedures and processes as those applied within the Group, thus ensuring the guarantees as to work, basic rights, and environmental protection that derive therefrom.

As a supplement and to the extent deemed relevant, the information on this basic boundary may include significant events concerning specific activities included in the foregoing table B1.2.

B2. Expanded boundary

For the purposes of this report, Iberdrola considers the activities carried out by its affiliated companies as described below to be significant:

– The activities of Nuclenor, S.A.

– The most significant activities carried out by the Brazilian group Neoenergia, in the area of generation, distribution, and supply of energy, which activities are conducted through Neoenergia, S.A. and its

subsidiaries (the electricity distribution companies Celpe, Coelba, and Cosern, the hydroelectric and thermal power generation companies Itapebi, Termopernambuco, Afluente, Rio, Bahia, Goias Sul, Corumba, and the cogeneration companies Energyworks Brasil, Ltda., Capuava Energy, Ltda. and the supplier NC Energia). Also included in the environmental information are the Baguari and Dardanelos plants, which are not significant in labour matters, while NC Energia is not included therein as it is not significant for environmental purposes. The social information includes the Belo Monte, Teles Pires, and Baixo Iguaçu plants under construction in those indicators that are deemed significant based on their activities.

The information regarding these activities will only be included in those indicators that Iberdrola considers necessary to provide an appropriate global view of the Company.

Equity share and integration applied

	Financial consolidation		Share of consolidation in information (%)		
	Method [1]	Equity share (%)	Financial	Environmental and Social	Electricity users
Coelba	E	37.57	37.57	37.57	100
Cosern	E	35.67	35.67	35.67	100
Celpe	E	34.96	34.96	34.96	100
Other Neoenergia	E	39.00	39.00	39.00	N/A
Nuclenor	E	50.00	50.00	50.00	N/A

(1) E: Consolidation by the equity method

Accordingly, the "expanded boundary" includes the activities carried out in the "basic boundary" plus the activities of Nuclenor, S.A. and those of the Brazilian Neoenergia Group.

In terms of sustainability, at these affiliated companies Iberdrola promotes the policies approved within the Group through the decision-making bodies of such companies and includes significant information thereon in this report.

As a supplement and to the extent deemed relevant, the information on this expanded boundary may include significant events concerning other affiliated companies.

B3. Global boundary (Iberdrola Total)

This includes all of the activities carried out by the Group, its subsidiaries, and its affiliates.

The financial information included in this *Sustainability Report 2015* is taken from the document entitled *Annual Financial Statements, Management Report, and Audit Report for Financial Year 2015*.

Other non-financial information, such as operating information of the Group, results from adding to the "expanded boundary" the information of affiliates consolidated by the equity method that are not considered significant for purposes of this report, as well as the information on the activities included in table B1.2., which is included under the heading "Other".

B4. Summary of the information boundaries by country

Following the GRI recommendation, the information in this report is structured by country. The table below shows the structure of information by country applied to the boundaries described above:

Structure of information by country in this report	
Basic boundary = Iberdrola, S.A., subsidiaries, and affiliates consolidated in whole or in part.	Spain United Kingdom United States Mexico Brazil Other countries Basic boundary
Expanded boundary = basic boundary plus the affiliates considered significant for sustainability purposes, consolidated by the equity method in accordance with applicable laws and regulations.	Significant affiliates [1] Expanded boundary
Global boundary = expanded boundary plus the "Other" not included in other boundaries.	Other Iberdrola Total

(1) Nuclenor, S.A. activities and Neoenergia Group activities.

C. Limitations on scope of information

Based on the standards set forth above, Iberdrola believes that this report reflects the economic, environmental, and social performance of the Company in a reasonable and balanced manner. Existing limitations and differences, described in the preceding sections, have a limited influence on aggregate overall data, which, in the opinion of Iberdrola, would not affect a reader's assessment of the Company's performance.

In the future, quantitative information may be included with respect to other activities of subsidiaries or affiliates to the extent that such information contributes to an understanding of the activities carried out by Iberdrola.

D. Additional information

On the closing date of the financial statements, the Iberdrola Group does not include within its controlled affiliates any that are resident in tax havens, pursuant to the laws in this regard (Royal Decree 1080/1991 of 5 July and respective updates thereof). Damhead Creek Finance Limited (registered in the Cayman Islands) and ScottishPower Insurance Limited (registered in the Isle of Man), which did form part of the group at the beginning of the financial year, were liquidated and sold in 2015. In addition, the interest in the company Garter, with a residence in the British Virgin Islands and which is an inactive company, is indirectly held through Neoenergia, which is consolidated by the equity method.

G4-18 Process for defining the report content and the Aspect boundaries and implementation of the GRI principles.

G4-19 Material aspects identified

G4-20 Aspect boundary within the organisation

G4-21 Aspect boundary outside the organisation

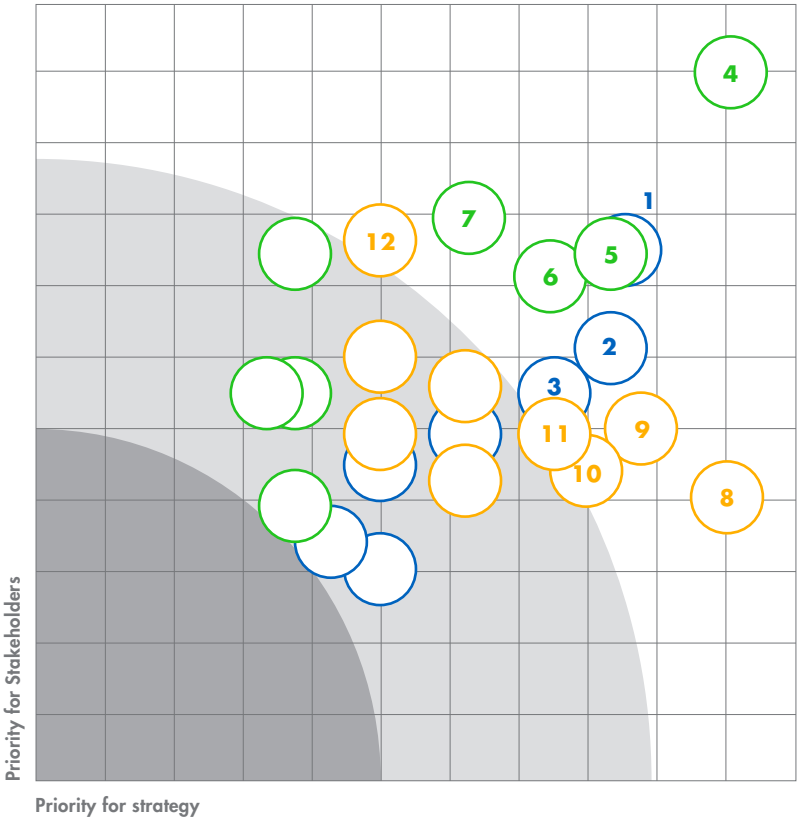
Since 2003, Iberdrola indirectly identifies its material aspects using GRI's *Sustainability Reporting Guidelines* as a model for preparing its annual sustainability report. These guidelines are the result of a process in which various Stakeholders throughout the world have participated, with representatives from business, unions, civil society, the financial markets, auditors, and specialists from various disciplines in the business area, regulators, and governmental bodies from various countries.

The Company, with a presence in countries on various continents, conforms to the various regional socioeconomic development models and has developed systems and processes to obtain the information needed to meet requests on matters of sustainability made both by GRI, with its recommendations, and by other areas of heightened awareness such as the Dow Jones Sustainability Index or the Carbon Disclosure Project. Iberdrola uses its Sustainability Report to provide an annual report on these issues, adhering to the materiality requirements, following macro-trends in corporate social responsibility, and generally meeting Stakeholder expectations.

For greater precision, Iberdrola also directly identifies its own material aspects by preparing its own *Materiality Analysis* with the advice of an independent outside firm, with the aim of identifying the specific aspects of interest related to the Company's activity by consulting in-house and outside sources. Iberdrola uses this process to identify social, environmental, and ethics issues that are significant to its focus on social responsibility.

Those matters of interest identified through the analysis are prioritised in accordance with their significance both to Stakeholders as well as to the Company's strategy. In this way, twelve issues, shown in the following chart, have been identified as "material":

2015 Iberdrola Group Materiality Analysis



Material matters	Other identified matters
1. Business innovation and opportunities	Anti-corruption
2. Economic performance and fiscal transparency	Unfair competition and monopolistic practices
3. Customer satisfaction	Public policy
	Supply chain management
4. Development of renewable energy	Environmental performance: operating efficiency
5. Electricity generation, electrical mix, and energy efficiency	Environmental impact management
6. Climate change strategy	Biodiversity impact management
7. Electricity and gas supply	Water use impact management
8. Human rights	Labour practices
9. Attention and retention of talent	Development of human capital
10. Socioeconomic impact on the community	Social welfare actions
11. Health and safety of employees and contractors	Physical security of facilities (community)
12. Access to energy for vulnerable customers	

The various sections of this report offer a more concrete response to the aspects identified, as shown in the following table:

Most significant issues	Special interest topics	Iberdrola's response
Business innovation and opportunities	Products and services favouring efficiency and energy savings, certified energy from renewable sources, distributed generation, offshore wind energy projects, development of electric vehicles, etc.	Management approaches: "Availability and reliability", "Research and development", "Demand management" and "Energy". EU10, G4-EN6, and G4-EN7.
Economic performance and fiscal transparency	Economic value generated and distributed. Tax policy and strategy, cooperation with tax authority, tax contributions, etc.	Management approaches: "Economic performance". G4-2, G4-9, and G4-EC1.
Customer satisfaction	Evaluation of customer satisfaction and establishment of targets for improvement, management of information security and privacy, grievances and claims, and other matters related to meter reading, billing, rates, and contracts.	Management approaches: "Customer privacy", "Access" and "Provision of information". G4-PR2, G4-PR4, G4-PR5, G4-PR7, G4-PR8, G4-PR9.
Development of renewable energy	Investment in and wager on renewable energy. Integration into the energy mix. Projected MWs of renewable energy.	Management approaches: "Research and development", "Availability and reliability" and "System efficiency". G4-14, EU1, and EU10.
Electricity generation	Mix of generation and projected targets, energy efficiency in renewable generation, and thermal efficiency in coal and combined cycle plants.	Management approaches: "Availability and reliability" and "System efficiency", "Demand management", "Energy", and "Access". G4-2, EU1, EU2, EU10, EU11, EU30, G4-EN5 to G4-EN7.
Climate change strategy	Carbon footprint reduction targets, emissions trading, carbon capture and storage projects, available adaptation and mitigation mechanisms, evaluation of risks and opportunities, etc.	Management approaches: "Economic performance", "Research and development", "Emissions" and "Transmission". Specific management approach to the environmental dimension. EU5, G4-EC2, G4-EN15 to G4-EN21, and G4-EN30.
Electricity and gas supply	Quality of supply, energy efficiency, and development of smart grids and meters.	Management approaches: "Availability and reliability" and "System efficiency", "Research and development" and "Access". EU4, EU12, EU26, EU28, and EU29.
Human rights	Definition of a formal policy, employee training, management of related complaints, and rights of indigenous or minority communities.	Specific management approach to human rights and all management approaches to Aspects contained in the "Human Rights" chapter. G4-HR1 to G4-HR12.
Attraction and retention of talent	Employee satisfaction, push for reconciliation, systems for performance evaluation, and variable remuneration tied thereto.	Management approaches: "Market presence", "Employment and labour/management relations", "Training and education" "Diversity and equal opportunity", "Equal remuneration for men and women", and "Labour practices grievance mechanisms". G4-EC3, G4-EC5, G4-LA2, G4-LA3, G4-LA9 to G4-LA11, G4-LA13, and G4-LA16.
Socioeconomic impact on the local community	Evaluation of the socioeconomic impact on local communities in the development of new infrastructures or on operating activities. Communication and reporting mechanisms.	Management approaches: "Indirect economic impacts", "Local communities", "Public policies", "Supplier assessments for impacts on society", "Grievance mechanisms for impact on society", "Iberdrola's contribution to the community", and "Access". G4-12, G4-EC1, G4-EC6 to G4-EC9, G4-SO1, G4-SO2, EU22, G4-SO9 to G4-SO11.
Health and safety of employees and contractors	Employee and contractor health and safety management. Accident rate, casualty rate, and absenteeism.	Management approaches: "Employment" and "Occupational health and safety". G4-LA5 a G4-LA8, EU17, and EU18.
Access to energy for vulnerable customers	Programmes to facilitate access to energy for customers with limited economic resources or vulnerable groups.	Management focus: "Access to electricity". EU26, EU27.

In its commitment to transparency with its Stakeholders, Iberdrola reports on aspects included in the GRI G4 guidelines that are in addition to those GRI aspects related to the most significant matters identified, providing continuity with information for previous financial years. These aspects are specifically identified in Annex 1 to this report.

Together with these global processes to identify and respond to material aspects, which Iberdrola strengthens in its public information, the Company has developed a methodology for direct dialogue with its Stakeholders based on the AA1000 Assurance Standard, through the consultation and response processes described in indicators G4-26 and G4-27.

G4-22 Restatements of information provided in previous reports

During financial year 2015, it was not deemed necessary to restate information pertaining to earlier reports.

However, the 2014 and 2013 information included in this report is slightly different from the information presented in the reports for those years, as a result of being updated.

G4-23 Significant changes in the report's scope or aspect boundaries

During financial year 2015, there were no significant changes in the scope, boundary, or measurement methods applied in the report, such that the Group's main indicators can still be compared to those from previous financial years.

Note should be taken, however, of Iberdrola USA's merger with the U.S. company UIL Holdings Corporation on 16 December 2015 to create the new company Avangrid. The information for UIL Holdings Corporation is consolidated in this report on the terms specified in indicator G4-17.

4. Stakeholder Engagement

G4-24 Stakeholder groups engaged by the organisation

Iberdrola's strategic approach attaches significance to the Company's relations with the groups that may affect or be affected by the activities of the Company (its Stakeholders) from a twofold standpoint: from the social responsibility standpoint, by responding to their expectations and needs, and from the reputational standpoint, by managing these group's perception of the Company.

In 2015, Iberdrola created a *Stakeholder Relations Policy*, with the aim of promoting and enhancing a framework for relations favouring the inclusion of Stakeholders within the Company's business and activities, using an effective instrument of coordination that permits ongoing relations of mutual trust to be built.

There are many such Stakeholders within a corporate group such as that of Iberdrola. For practical purposes, and in order to provide information about them in a concise manner and considering their significance to the Company's activities, eight large categories of Stakeholders have been established:

- Workforce
- Shareholders and financial community
- Regulatory entities
- Customers
- Suppliers
- Media
- Society in general
- Environment

In order to properly manage the different issues that can arise with each of the Stakeholder groups, the businesses and corporate areas of the Group also identify such subgroups as they deem relevant for specific attention thereto.

G4-25 Basis for selection of Stakeholders

The identification and selection of the Stakeholders of the Iberdrola Group was initially carried out through processes of internal reflection conducted by the management team, and relationships are established with strategic groups with a view to satisfying both their expectations and the needs of the Company. The various CSR and Reputation Committees within the Group review the significance of specific Stakeholders, based on the nature of their own activities and on the impact that meeting or not meeting their expectations may have on the Company's results.

Finally, Iberdrola's *Stakeholder Relations Policy*, approved by its Board of Directors, ratified the Stakeholder categories described in the preceding indicator.

G4-26 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.

The commitment to Stakeholders is one of the significant components of corporate sustainability. At Iberdrola, policies, general strategies, and global CSR lines of action are defined at the corporate level and applied at all businesses and in all geographical areas where the Company does business. In particular, in 2015 the Board of Directors approved a *Stakeholder Relations Policy*. The global lines of action conform to local needs by means of the required CSR programmes and projects, which are applied at the local level. This enables the Company to manage the impacts of Company actions on society as a whole more effectively, such that the balance is positive for communities, customers, employees, and other Stakeholders.

Iberdrola has been applying the AA1000 Assurance Standard since 2006 in order to systematically and rigorously manage engagement with its Stakeholders in accordance with the principles of inclusiveness, materiality, and responsiveness established in such standard, through a process that is subject to independent external assurance. The Company has been adjusting to the application of the AA1000 standard, in regard to both the successive versions of the standard and the expansion and organisational changes at Iberdrola.

The application of the AA1000 standard has a twofold approach at the Company:

– Global approach: applied at corporate areas.

– Local approach: applied at the businesses (Networks, Wholesale and Retail, Renewables, Engineering and Construction).

Iberdrola structures the process of relations with its Stakeholders through the following stages:

– Establishment of communication channels with each Stakeholder group.

– Appointment of persons responsible for the organisation of the channels.

– Identification of the most significant matters detected in each channel.

– Drafting a Company response to the significant matters detected.

The communication channels established have their own specific characteristics as to format, responsibilities, depth of the relationship, and frequency of use, from the channels that are continuously available, such as mailboxes and portals, to those used on an annual or multi-annual basis, such as surveys, to other non-periodic channels, all of which, as a whole, help make up what the Company considers to be a close relationship with its Stakeholders.

Iberdrola's most significant pathways for dialogue with these groups are summarised in the following table:

Stakeholder	Significant pathways for dialogue and communication	Other pathways of dialogue
Workforce	Mixed subcommittees or committees with the participation of workers; employee surveys; Global Employee Office; worker suggestion boxes.	Specific meetings; internal magazines; intranet; management school.
Shareholders and financial community	Personal contact with investors in fixed-income securities and equities, personal contact with shareholders, Office of the Shareholder.	General Shareholders' Meeting; periodic bulletins; corporate website; specific phone and e-mail service; information *microsite* and specific channel for shareholders on the website (OLS); Shareholders' Club; IPhone, IPad, and Android apps for investors.
Regulatory entities	Consultation, official formalities, and meetings with various EC regulatory bodies, national, regional, and local levels.	Relationship through industry organisations and direct contact.
Customers	Onsite and remote channels for direct relations with gas and electricity customers and systems for complaints and claims. Customer satisfaction surveys.	Relationship channels with consumers' associations, consumer institutions, and municipal consumer information offices (OMICs). At the engineering and construction subsidiary, various types of customer sales contacts.
Suppliers	Supplier portal on the corporate website, Supplier Service Centre, supplier satisfaction surveys, supplier ethics mailboxes.	Supplier registration and classification processes; conferences with business organisations; meetings with suppliers; web mailbox; supplier improvement campaigns.
Media	Press releases; individual and group meetings; query mailbox on the website; communication channels on social networks.	Multimedia channel on the corporate website.
Society	Direct relationships with national, regional, and local government authorities; participation in business confederations and chambers of commerce; relationships with social organisations.	Projects of collaboration with social organisations; participation in forums and seminars; direct relations with environmental and social groups in the areas around large electric sites.
Environment	Specific mailbox on the corporate website, *Just2challenge* website (climate change), social networks providing environmental information; supplier survey.	Environmental impact assessment processes; European Commission consultations and other public consultations; collaboration projects; various types of meetings and contacts with environmental groups.

G4-27 Key topics and concerns that have been raised through stakeholder engagement

The process of managing the pathways for dialogue described in the preceding section means that, following the assessment of the information received, the issues that are most important for the various Stakeholders are identified. Such issues are reviewed by the internal organisations involved, and a response is generated by the Company that seeks to improve the satisfaction of such Stakeholders in connection with the matters in question. Iberdrola believes that its responses, as a whole, provide a proper and acceptable balance for its Stakeholders.

The table below presents the most significant issues raised during financial year 2015 and a summary of the Company's responses:

Stakeholder	Main issues raised by each group	Iberdrola's response
Workforce	Labour conditions generally Health and safety conditions Improved employee training	Management approaches set forth in the "Labour practices and work ethics" chapter. G4-LA5 to G4-LA11, G4-LA13, G4-LA16.
Shareholders and financial community	Financial and economic situation of the Company Dividends of the Company Participation at the General Shareholders' Meeting and Shareholder Day	Management approach: "Economic performance". G4-1, G4-2, G4-9, G4-EC1. "Corporate governance model" chapter of the Integrated Report.
Regulatory entities	Safety of supply Economic aspects of supply Environmental sustainability	Management approach: "Public policies". G4-1, G4-2. "Regulatory environment" chapter of the Integrated Report.
Customers	Issues relating to collection and billing process, and the new methodologies used Process for handling customer suggestions and complaints Issues relating to sales methods and channels Issues relating to rates	Management approach: "Access to electricity". G4-PR4, G4-PR7 to G4-PR9. "Customers" specific web page on the corporate website.
Suppliers	Responsible management of procurement Relationship of Procurement Area with suppliers Promotion of CSR and Reputation issues at the Group level	G4-12, G4-EC9, G4-EN32 and 33, G4-LA14 and 15, G4-HR10 and 11, G4-SO9 and 10. Procurement Portal on the corporate website.
Media	Issues relating to regulation Company strategy and positioning Issues relating to consumption and social action	Management approaches: "Public policies", "Iberdrola's contribution to the community", and "Customer health and safety". G4-1, G4-2.
Society	Regulatory, innovation, and environment issues Compliance with and handling of environmental requirements Iberdrola's contribution to the community	Management approaches: "Research and development", "Public policies", "Iberdrola's contribution to the community", and those relating to the Environmental Dimension.
Environment	Climate change Biodiversity Energy efficiency Water management	Management approaches: "System efficiency", "Biodiversity" and "Water". G4-14, G4-EC2, EU11, EU12, EU13, G4-EN11 to EN14, G4-EN8 to EN10.

Iberdrola prepares an annual *AA1000 Compliance Report*, which summarises the results obtained through the aforementioned channels with respect to the issues raised by each Stakeholder and the type of response provided by the Company.

The methodology described in the preceding sections (G4-24 through G4-27) enables the Company to identify material issues through direct sources. Such review is completed with that made through indirect sources, such as the *Dow Jones Sustainability Index*, the *Carbon Disclosure Project*, the *Materiality Analysis*, etc., described in indicators G4-18 through G4-21.

Considering the methods described as a whole, Iberdrola believes it has a robust Stakeholder management system, which allows it to respond both directly through the channels of dialogue with its Stakeholders, and indirectly through various public information formats, such as this report, the *Integrated Report*, and the corporate website www.iberdrola.com.

5. Report Profile

G4-28 Reporting period

2015

G4-29 Date of previous report

2014

G4-30 Reporting cycle

Annual

G4-31 Contact point for questions regarding the report

General questions regarding this report may be addressed to Iberdrola's Corporate Communication Division at C/ Tomás Redondo, 1 - 28033 Madrid – Spain, or via comunicacioncorporativa@iberdrola.com.

Specific questions relating to the environment may be addressed to Iberdrola's Innovation, Quality, and Environment Division at C/ Tomás Redondo, 1 - 28033 Madrid – Spain, or via medioambiente@iberdrola.es.

The addresses and telephone numbers of the various Iberdrola centres worldwide can be found under "Contact" at www.iberdrola.com.

GRI Content Index

G4-32 GRI Index with respect to the "in accordance" option chosen

This report has been prepared in accordance with the GRI "comprehensive" option. Due to its length, the GRI content index is located in *Annex 1* to this Report.

G4-33 External assurance for the report

Iberdrola obtains independent external assurance of its annual information, the annual accounts and management reports (individual and consolidated with those of its subsidiaries) by Ernst & Young, and the sustainability report by KPMG. Annex 4 hereto includes the external independent assurance report on this document.

6. Governance

Governance structure and composition

G4-34 Governance structure

Board of Directors

Position	Director	Status	Date of Last Appointment	Ending Date
Chairman & CEO	Mr José Ignacio Sánchez Galán	Executive	27-03-2015	27-03-2019
Director	Mr Xabier de Irala Estévez	Proprietary[1]	22-06-2012	22-06-2016
Director	Mr Íñigo Víctor de Oriol Ibarra	Other external	22-06-2012	22-06-2016
Director	Ms Inés Macho Stadler	Independent[2]	22-06-2012	22-06-2016
Director	Mr Braulio Medel Cámara	Independent	22-06-2012	22-06-2016
Director	Ms Samantha Barber	Independent	22-06-2012	22-06-2016
Director	Ms María Helena Antolín Raybaud	Independent	27-03-2015	27-03-2019
Director	Mr Santiago Martínez Lage	Independent	27-03-2015	27-03-2019
Director	Mr José Luis San Pedro Guerenabarrena	Other external	27-03-2015	27-03-2019
Director	Mr Ángel Jesús Acebes Paniagua	Independent	27-03-2015	27-03-2019
Director	Ms Georgina Kessel Martínez	Independent	28-03-2014	28-03-2018
Director	Ms Denise Mary Holt	Independent	27-03-2015	27-03-2019
Director	Mr José Walfredo Fernández	Independent	27-03-2015	27-03-2019
Director	Mr Manuel Moreu Munaiz	Other external	27-03-2015	27-03-2019

Secretary (non-member): Mr Julián Martínez-Simancas Sánchez.
Counsel (non-member): Mr Rafael Mateu de Ros Cerezo.

(1) Mr Xabier de Irala Estévez was appointed at the proposal of Bilbao Bizkaia Kutxa (BBK) (now, Kutxabank, S.A.).
(2) Ms Inés Macho Stadler is the lead independent director *(consejera coordinadora)*.

Executive Committee

The Executive Committee has all the powers inherent to the Board of Directors, except for those powers that may not be delegated pursuant to legal or by-law restrictions.

The core activities of this Committee consist of submitting proposals and reports to the Board of Directors regarding all those strategic decisions, investments, and divestitures that are significant for the Company or its Group, assessing their alignment with the budget and the strategy of the Company, and analysing and monitoring business risks, taking into consideration the environmental and social aspects thereof.

Executive Committee

Position	Director	Status
Chair	Mr José Ignacio Sánchez Galán	Executive
Member	Mr Xabier de Irala Estévez	Proprietary
Member	Ms Inés Macho Stadler	Independent
Member	Mr José Luis San Pedro Guerenabarrena	Other external
Member	Mr Ángel Jesús Acebes Paniagua	Independent

Secretary (non-member): Mr Julián Martínez-Simancas Sánchez.

Audit and Risk Supervision Committee

This is a permanent internal informational and consultative body within the Board of Directors, without executive powers, with informational, advisory, and proposal-making powers within its scope of activity. It carries out duties relating to the supervision of the internal audit function, the review of the internal control and risk monitoring systems, the process of preparing the economic and financial information, the auditing of accounts, and compliance, all upon the terms established in its regulations, available at www.iberdrola.com.

Audit and Risk Supervision Committee

Position	Director	Status
Chair	Ms Georgina Kessel Martínez	Independent
Member	Ms Denise Mary Holt	Independent
Member	Mr José Walfredo Fernández	Independent

Secretary (non-member): Mr Rafael Sebastián Quetglas.

Appointments Committee

This is a permanent internal informational and consultative body within the Board of Directors, without executive powers, with informational, advisory, and proposal-making powers in connection with the selection, appointment, re-election, and removal of the Company's directors and senior officers upon the terms established in its regulations, available at www.iberdrola.com.

Appointments Committee		
Position	**Director**	**Status**
Chair	Ms María Helena Antolin Raybaud	Independent
Member	Mr Iñigo Víctor de Oriol Ibarra	Other external
Member	Mr Ángel Jesús Acebes Paniagua	Independent

Secretary (non-member): Mr Iñigo Gómez-Jordana Moya.

Remuneration Committee

This is a permanent internal informational and consultative body within the Board of Directors, without executive powers, with informational, advisory, and proposal-making powers in connection with the remuneration of the Company's directors and senior officers upon the terms established in its regulations, available at www.iberdrola.com.

Remuneration Committee		
Position	**Director**	**Status**
Chair	Ms Inés Macho Stadler	Independent
Member	Mr Iñigo Víctor de Oriol Ibarra	Other external
Member	Mr Santiago Martínez Lage	Independent

Secretary (non-member): Mr Rafael Mateu de Ros Cerezo.

Corporate Social Responsibility Committee

This is a permanent informational and consultative body created by the Board of Directors, without executive duties, with powers in the areas of revision and update of the Corporate Governance System and supervision of the social responsibility, sustainability, and reputation policies, upon the terms established in its regulations, available at www.iberdrola.com.

Corporate Social Responsibility Committee		
Position	**Director**	**Status**
Chair	Ms Samantha Barber	Independent
Member	Mr Braulio Medel Cámara	Independent
Member	Mr Manuel Moreu Munaiz	Other external

Secretary (non-member): Mr Fernando Bautista Sagüés.

G4-35 Delegation of authority from highest governance body to senior executives and other employees.

The Executive Committee and the chairman & chief executive officer have all the powers of the Board of Directors, except for those powers that may not be delegated pursuant to legal or by-law restrictions. In addition, the Company has a structure of executives and authorised employees to implement its strategy and basic management guidelines, with powers provided under two operating principles: (i) the principle of joint action, which governs all powers that are of a decision-making or organisational nature, and (ii) the principle of severability, which governs the exercise of powers of mere representation.

Furthermore, the Group's system for representational powers is generally governed by the principle of separation of representatives, pursuant to which each company selects its representatives from among its own employees rather than from the employees of another company.

G4-36 Executive-level positions with responsibility for economic, social, and environmental topics.

The Company's organisation has various divisions, the responsibilities of which are as follows: the Finance and Resources division is responsible for financial matters; both the aforementioned area and the Office of the Secretary of the Board of Directors are responsible for social matters, and the Chairman's Office is responsible for environmental matters.

The heads of these divisions form part of the Operating Committee, which is chaired by the chairman & chief executive officer, thus assuring that information is provided directly to the Board of Directors. Apart from the foregoing, the heads of these divisions usually appear before the Board of Directors.

G4-37 Processes for consultation between Stakeholders and the Board of Directors

In financial year 2015, Iberdrola approved its *Shareholder Engagement Policy* in order to establish a permanent dialogue with its shareholders, and its *Stakeholder Relations Policy* in order to promote a framework of relationships that favours the inclusion of Stakeholders in the businesses and activities of the Group. Both policies are available at www.iberdrola.com.

The Board of Directors has a Corporate Social Responsibility Committee, the composition and duties of which are described in indicator G4-34. Among other things, it has the power to "*Analyse the expectations of stakeholders and endeavour to ensure that they are taken into account when formulating Social Responsibility Policies, and supervise and evaluate the application of the Stakeholder Relations Policy*". The reports prepared by such Committee and the appearances requested during the financial year are identified in the *Integrated Activities Report of the Committees of the Board of Directors* for financial year 2015, available at www.iberdrola.com.

As regards the shareholders, the General Shareholders' Meeting is the main channel for their participation in corporate life. It is held within the framework of Shareholder Day, during which various presentations are made and activities are held that seek to bring the Company closer to its shareholders and foster a constructive dialogue with them.

The idea is to allow the Board of Directors to become acquainted with the opinions and concerns of the shareholders and to allow the Board to keep them in mind when establishing the agenda, drawing up proposed resolutions, and deciding on other matters and circumstances relating to the holding of the General Shareholders' Meeting.

In addition, the Board of Directors actively promotes shareholder attendance at the General Shareholders' Meeting and the possibility of their participating in it, as provided in the law and in the Corporate Governance System.

To such end, it facilitates access to the documentation for the General Shareholders' Meeting at www.iberdrola.com.

Furthermore, in order to encourage participation at the General Shareholders' Meeting, the shareholders are provided access to a *Shareholder's Guide*, and to *Rules of Implementation for the Management of the General Shareholders' Meeting* that describe in detail the operation of the proxy-granting and voting system by postal and electronic correspondence.

In addition, Iberdrola promotes electronic participation through the use of personal passwords that it offers its shareholders to exercise such rights from any electronic device with Internet access.

Other proactive actions are also carried out to foster the maximum possible participation of the shareholders, such as telephone information campaigns.

To promote the accessibility and understanding of the information concerning the matters to be dealt with at the meeting, the Company has implemented several specific channels of communication for providing information to shareholders and investors, including the following:

a) The Shareholders' Office (*Oficina del Accionista*). From the call to the General Shareholders' Meeting through the end thereof, the shareholders can rely on the support of the Shareholders' Office, which has a specific site for such purpose at the premises of the meeting in order to resolve any issues that the attendees may raise prior to the commencement of the meeting, as well as to serve and provide information to the shareholders who wish to use the floor.

Furthermore, the Shareholders' Office is in permanent contact with those shareholders who have voluntarily entered their names in its database, and provides a specific service for the organisation of presentations and events prior to the General Shareholders' Meeting.

b) The Shareholders' Club (*Club del Accionista*). This is an open and permanent participation channel between the Company and the financial community and shareholders who voluntarily join such Club and are interested in monitoring the evolution of the Company on an ongoing basis.

c) The Investor Relations Office (*Oficina de Relaciones con Inversores*). This responds on a regular and personalised basis to the questions of analysts and institutional and qualified investors in equities, fixed-income securities, and socially responsible investments.

d) Interactive OLS - On Line Shareholders system. This system enabled at the corporate website allows shareholders (who may access the system with their user name and password) to ask questions of interest either publicly or confidentially, access frequently asked questions regarding various issues, and, with respect to the General Shareholders' Meeting, request information or clarifications or ask questions regarding the items on the agenda, as well as to watch the live proceedings.

e) Meetings with representatives. The interactive OLS - On Line Shareholders system allows accredited shareholders to actively participate in meetings with representatives of the Company appointed by the Board of Directors or the chairman & CEO, to be held electronically, on corporate governance matters and other issues that are significant for the life of the Company that affect Stakeholders and the communities and territories in which the Company operates.

f) Relations with shareholder associations and institutional shareholders. Both shareholder associations and institutional shareholders may request meetings with representatives of the Company through the Investor Relations Division. Long-term engagement plans may also be developed with those shareholders who express their intention to have a stable and continuous presence in the Company's shareholder base, and appropriate mechanisms for dialogue may be established regarding the performance of the Company.

g) Awareness-raising and involvement workshops. The Company plans to organise awareness-raising and involvement workshops on various subjects, open to the public at large, at which shareholder participation will be fostered, debate will be promoted, and information will be provided on matters relating to the activities carried out by the Company.

h) Last, the Corporate Governance System makes provision for the ability of the Board of Directors to entrust the lead independent director or other directors with dialogue with specific shareholders on certain issues relating to the corporate governance of the Company.

There is also a direct channel by which the workers' representatives, through the committees specified in the collective bargaining agreements, can bring their petitions, suggestions, and needs to the attention of the managing bodies in connection with various issues relating to the Group's labour relations.

In line with the recommendations set out in the *Good Governance Code of Listed Companies* and with leading international best practices, Iberdrola provides its employees a channel of communication with the Audit and Risk Supervision Committee allowing for the confidential reporting of possible irregular conduct in the financial and accounting areas that might be significant, as well as an *Employee Ethics Mailbox (Buzón ético del empleado) and a Suppliers' Ethics Mailbox (Buzón ético de los proveedores)* to communicate conduct that may be irregular or entail a violation of the Company's *Code of Ethics*.

G4-38 Composition of the highest governance body

As stated in indicator G4-34, the Board of Directors has fourteen members, one of whom is executive, one proprietary, three are assigned to the category of other external, and the other nine are independent. Within this last category, five are women, one of whom, Ms Inés Macho Stadler, is the lead independent director (*consejera coordinadora*) and chair of the Remuneration Committee, as well as a member of the Executive Committee. In addition, Ms María Helena Antolín Raybaud, Ms Samantha Barber, and Ms Georgina Kessel Martínez are the chairs of the Appointments Committee, the Corporate Social Responsibility Committee, and the Audit and Risk Supervision Committee, respectively.

This section also breaks down the composition of the consultative committees of the Board of Directors: the Audit and Risk Supervision Committee, the Appointments Committee, the Remuneration Committee, and the Corporate Social Responsibility Committee.

G4-39 State whether the chair of the highest governance body is also an executive officer and the reasons for this arrangement.

The chairman of the Board of Directors is also the chief executive of Iberdrola. He has been granted by delegation all the powers of the Board of Directors, except for those powers that may not be delegated pursuant to legal or by-law restrictions.

At the General Shareholders' Meeting held on 27 March 2015, the shareholders approved the re-election of the chairman & CEO as executive director by a large majority. Such proposal was supported by two reports: one prepared by an independent expert of recognised standing (PricewaterhouseCoopers Asesores de Negocios, S.L.) and the other by the Board of Directors itself. It was also passed upon favourably by the now-defunct Appointments and Remuneration Committee.

The initiative for such proposal was led by the lead independent director, who called the independent directors to a meeting on 15 December 2014. At such meeting, it was unanimously resolved to submit the proposal to the Board of Directors and to ask PricewaterhouseCoopers Asesores de Negocios, S.L. to prepare a report thereon. In light of the unanimous opinion of the independent directors, of the report of the Appointments and Remuneration Committee, and of the content of the independent expert's report, the

Board submitted the corresponding proposed resolution to the shareholders at the General Shareholders' Meeting on the basis of:

– The demonstrated capability and competence of the candidate to hold such position and the specific provisions of the Corporate Governance System of the Company, whose decentralised governance model requires a leadership that necessarily entails a high level of professional commitment and a level of depth, presence, and involvement in such person's work that means that whoever takes on such duties will be considered an "executive" of the Company.

– The practical application of such governance model, which confirms the validity thereof, reflects a better economic and financial performance than that of comparable companies and has historically been supported by the shareholders at General Shareholders' Meetings and by the capital markets.

– The sound checks and balances system implemented by the Company, which: (i) separates oversight and management duties; (ii) ensures that there is a majority of independent directors; (iii) ensures a high level of professional diversity and diversity of gender and origin on the Board of Directors; (iv) grants very significant powers to the lead independent director; (v) establishes a succession plan for the chairman; (vi) decentralises the executive duties of the Group among the various country subholding and head of business companies; and (vii) makes Iberdrola, S.A. a holding company with duties that relate solely to the strategic supervision and coordination of the businesses conducted by the Group.

G4-40 Selection and nomination of the members of the highest governance body

The appointment, re-election, and separation of directors is within the purview of the shareholders at the General Shareholders' Meeting.

Vacancies that occur may be filled by the Board of Directors on an interim basis until the next General Shareholders' Meeting, whereat the shareholders shall confirm the appointments or elect the persons who should replace directors who are not ratified, or it shall withdraw the vacant positions.

To such end, the Board of Directors has approved a *Director Candidate Selection Policy*, which ensures that proposals for the appointment of directors are based on a prior analysis of the needs of the Board of Directors.

The Appointments Committee advises the Board of Directors regarding the most appropriate configuration of such body and of its committees as regards size and balance among the various classes of directors existing at any time. For such purpose, the Committee will review the structure of each body on a regular basis, particularly when vacancies occur within such bodies. Furthermore, independent directors are appointed on the basis of a proposal of the Appointments Committee, while the other appointments require a report of such Committee.

In any event, the Board of Directors, and the Appointments Committee within the scope of its powers, will endeavour to ensure that the candidates submitted to the shareholders at a General Shareholders' Meeting for appointment or re-election as directors, as well as the directors appointed directly to fill vacancies in the exercise of the power of the Board of Directors to make interim appointments, are respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability, and commitment to their duties, while at the same time endeavouring to ensure gender diversity in the composition of the Board of Directors.

If the Board of Directors deviates from the proposals and reports of the Appointments Committee, it shall give reasons for so acting and shall record such reasons in the minutes.

G4-41 Processes for avoiding conflicts of interest within the highest governance body

The Regulations of the Board of Directors provide that having interests in any way opposed to those of the Company constitutes a ground of disqualification for appointment as director and, if applicable, triggers the director's obligation to resign.

They also provide that competence to hold office is a requirement to be appointed as director of the Company.

The *Regulations of the Board of Directors* also expressly prescribe that directors must resign due to their loss of suitability (particularly when their continuance in office may jeopardise, directly, indirectly, or through persons related thereto, the faithful and diligent performance of their duties in furtherance of the corporate interest, which is understood as the common interest of all shareholders of an independent company, oriented towards the accomplishment of its object, in accordance with the provisions of applicable law and the Corporate Governance System of Iberdrola), or when owing to supervening circumstances, they fall within any of the instances of disqualification from or prohibition against holding such office established in the law or in the Corporate Governance System. The Board of Directors may request a director subject to any circumstance of disqualification to resign from office and, if applicable, may propose the director's removal from office to the shareholders at a General Shareholders' Meeting.

For such purposes, the aforementioned *Regulations* provide that it shall be deemed that a director lacks or, if applicable, has ceased to possess, the competence required to hold office when there is a structural and permanent situation of conflict between the director (or a person related thereto or, in the case of a proprietary director, between the shareholder or shareholders that proposed or made the director's appointment, or persons directly or indirectly related thereto) and the Company or the companies forming part of the Group.

Independently of the foregoing, the *Regulations of the Board of Director*s also regulate the specific conflict of interest situations that might affect the directors and that involve a direct or indirect conflict of their personal interest or that of persons related thereto with that of the Company or the companies within its Group. As provided therein, the directors must give notice of conflicts of interest in which they are involved and must abstain during the deliberations and voting on the matter in question. Section D.6 of the *Annual Corporate Governance Report 2015* describes the mechanisms used to detect, determine, and resolve potential conflicts of interest between Iberdrola and its directors, officers, and significant shareholders.

For its part, the first section of article 43 of the Regulations of the Board of Directors provides that *"any transaction by the Company or the companies forming part of its Group with directors, with shareholders that own a shareholding interest that is equal to or greater than that legally regarded as significant at any time or that have proposed the appointment of any of the directors of the Company, or with the respective related persons, shall be subject to the approval of the Board of Directors, or in urgent cases, of the Executive Committee, following a report from the Appointments Committee.*

In the event that authorisation has been granted by the Executive Committee due to the urgency of the matter, the Executive Committee shall give notice thereof to the Board of Directors at its next meeting in order for it to be ratified".

In addition, the second section of such article provides that *"the Board of Directors, through the Appointments Committee, shall ensure that transactions between the Company or the companies forming part of its Group and the directors, the shareholders mentioned in the preceding section, or the respective related persons, are carried out under arm's length conditions and with due observance of the principle of equal treatment of shareholders in the same situation".*

Highest governance body's role in setting vision, values, and strategy

G4-42 Highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's vision, mission, values, strategies, policies, and goals.

Iberdrola and its group of companies are committed to a mission, vision, and values.

The Group's mission in carrying out its activities is to create value in a sustainable manner for society, citizens, customers, and shareholders, as the leading multinational group in the energy sector providing a quality service through the use of environmentally-friendly energy sources, which engages in innovation and considers its employees to be a strategic asset, fostering their development, training, and conciliation measures, favouring a good working environment and equal opportunity, committed to social return through all its business activities, generating employment and wealth in its environment, all within its strategy of social responsibility and compliance with tax regulations.

This mission is supplemented by a vision, based on the ambition of being at the forefront of a better future, creating value sustainably with a quality service for the people and communities in which the Group carries out its activities, as well as by twelve values: creation of sustainable value, ethical principles, good governance and transparency, development of the Group's workforce, social commitment, sense of belonging, safety and reliability, quality, innovation, respect for the environment, customer focus, and institutional loyalty.

The corporate and governance structure of the Company and of the Group, which form an essential part of the Company's Corporate Governance System, is defined on the grounds described below, which duly differentiate between the duties of day-to-day administration and effective management, on the one hand, and those of supervision and control, on the other:

a) Attribution to the Company's Board of Directors of the powers relating to establishing the Group's policies and strategies and the basic guidelines for the management thereof, as well as general supervision of the development of such policies, strategies, and guidelines, and of decisions on matters of strategic importance at the Group level, fully observing the special framework of strengthened autonomy of listed country subholding companies described under d) below.

b) Assumption by the chairman of the Board of Directors & chief executive officer, with the technical support of the Operating Committee, by the Business CEO appointed by the Board of Directors, with overall responsibility for all the businesses of the Group, and by the rest of the management team of the duty of organisation and strategic coordination within the Group.

c) The function of organisation and strategic coordination is strengthened through country subholding companies in those countries where the Board of Directors of the Company has so decided. Such entities group together equity stakes in the energy head of business companies carrying out their activities within the various countries in which the Group operates. This structure is completed with a country subholding company that groups together certain stakes in other entities, including non-energy head of business companies, with a presence in several countries. One of the main duties of country subholding companies is to centralise the provision of services common to head of business companies, always in accordance with the provisions of applicable law and especially the legal provisions regarding the separation of regulated activities.

Country subholding companies have boards of directors that include independent directors and their own audit committees, internal audit areas, and compliance units or divisions.

Country subholding companies are responsible for disseminating, implementing, and ensuring compliance with the policies, strategies, and general guidelines of the Group in each of the countries in which they operate and in connection with the businesses grouped by each of such companies, taking into account the characteristics and unique aspects of such countries.

d) The Group's listed country subholding companies have a special framework with greater autonomy that extends to the regulatory, related-party transactions, and management areas.

In particular, all transactions between the listed country subholding company and its subsidiaries and the other companies of the Group require the approval of a committee of the Board of Directors of such country subholding company made up exclusively of directors not related to the Company.

The special strengthened autonomy framework is further developed in the respective agreements executed by the Company with each listed country subholding company.

e) The head of business companies of the Group assume decentralised executive responsibilities, enjoy the autonomy required for the day-to-day and effective management of each business, and are responsible for the day-to-day control thereof.

Such head of business companies are organised through their respective boards of directors, which include independent directors, where appropriate, and their own management bodies; they may also have their own audit committees, internal audit areas, and compliance units or divisions.

This corporate and governance structure of the Group operates jointly with the Group's Business Model, which entails a global integration of the businesses and is focused on maximising the operational efficiency of the various business units. It also assures the dissemination, implementation, and monitoring of the general strategy and of the basic management guidelines for each of the businesses, mainly through the exchange of best practices among the various companies of the Group, without reducing the decision-making autonomy of each of them.

The Operating Committee is an internal committee of the Company within the Group's corporate and governance structure, which provides a level of technical, information, and management support for the definition, supervision, organisation, and monitoring of general management guidelines as well as for the strategic planning of the businesses managed by the Group's head of business companies, in accordance with the Group's Business Model.

The organisational model is structured into the decentralised business units and the centralised corporate governance and control functions, which can be viewed at www.iberdrola.com.

Powers of the highest governance body and evaluation of its performance

G4-43 Highest governance body's knowledge of economic, environmental, and social topics

Section 16 of the *General Corporate Governance Policy* provides that "The Company has a programme to provide directors with information and updates in response to the need for professionalisation, diversification, and qualification of the Board of Directors".

In line with the foregoing, in order to improve knowledge by the directors of the businesses of the Group and of the political, regulatory, or economic environment in which it operates, the Board of Directors approves a Training and Information Plan every year that includes training sessions (conducted by prestigious outside professionals) and information sessions (conducted by members of the respective Division). In addition, a portion of each meeting of the Board of Directors tends to be dedicated to a presentation on financial, legal, or socio-political issues of significance to the Group.

The directors have access to a specific application, the directors' website, which facilitates the performance of their duties and the exercise of their right to receive information. Such information as is deemed appropriate for the preparation of meetings of the Board of Directors and the committees thereof in accordance with the agenda, as well as materials relating to the director training programmes and the presentations made to the Board of Directors, is posted on such website.

G4-44 Highest governance body's performance

Article 8.12 of the *Regulations of the Board of Directors* provides that the Board shall annually evaluate: its operation and the quality of its work; the performance of duties by the chairman of the Board of Directors and by the chief executive officer, based on the report submitted thereto by the Appointments Committee; and the operation of its committees, in view of the report submitted thereto by such committees. For such purpose, the chairman of the Board of Directors organises and coordinates the aforementioned evaluation process with the chair of each committee.

Section 16 of the *General Corporate Governance Policy* provides that the annual evaluation shall be conducted with *"the cooperation of an independent firm of recognised standing"*.

Within the framework of the evaluation process of financial year 2015, Iberdrola has decided to draw on the cooperation of PricewaterhouseCoopers Asesores de Negocio, S.L. Such process is based on the review of more than 400 objectively quantifiable and measurable indicators which are updated every year in accordance with the latest trends. Such exercise is supplemented by a comparison with the companies identified as having the best market practices. As a result of this process, the Company develops and adopts the respective action plans designed to implement the specific measures that may help to further improve the operation of Iberdrola's Corporate Governance System. The Board of Directors completed this evaluation process for financial year 2015 through the adoption of the corresponding resolution at its meeting of 23 February 2016.

Highest governance body's role in risk management

G4-45 Procedures of the highest governance body to supervise the identification and management of economic, environmental, and social performance, as well as its role in the implementation of due diligence processes and in Stakeholder consultations.

The Board of Directors of Iberdrola is structured as described in indicator G4-34 of this report, with monitoring duties being carried out by the consultative committees thereof that supervise the economic, social, and environmental performance of the Company. Such duties include both the supervision of the risks and opportunities associated with the Group's activities and compliance with international principles, codes, and standards applicable to high-responsibility tasks. The Board of Directors and its consultative committees perform periodic evaluations of the aforementioned aspects of performance, drawing for such purpose on external information of interest thereto, with the assistance of external independent advisers, and on information provided to them by the rest of the organisation itself, primarily through periodic appearances of the Group's officers at committee meetings.

The Audit and Risk Supervision Committee, the Appointments Committee, the Remuneration Committee, and the Corporate Social Responsibility Committee have prepared an *Integrated Activities Report* for financial year 2015, available at www.iberdrola.com.

G4-46 Highest governance body's role in reviewing the effectiveness of the management of economic, environmental, and social risks and opportunities.

G4-47 Frequency of the highest governance body's review of economic, environmental, and social impacts, risks, and opportunities.

These roles are described in Section E ("Risk Control and Management Systems") of the Corporate Governance Report 2015 and risks are reviewed at least quarterly.

Highest governance body's role in preparing the Sustainability Report

G4-48 Highest body that reviews and approves the report

The Board of Directors of Iberdrola is the body responsible for reviewing the *Sustainability Report 2015*, which was approved on 23 February 2016, the date of preparation of the Company's annual accounts.

Highest governance body's role in evaluating economic, environmental and social performance

G4-49 Process for communicating critical concerns to the highest governance body

G4-50 Critical concerns communicated to the highest governance body

The highest-level persons in charge of the various business divisions and corporate divisions have a presence on the Operating Committee referred to in indicator G4-42 of this report. It is chaired by the chairman & chief executive officer, who reports in turn to the Board of Directors.

The critical concerns reported to and considered by the Board of Directors are principally:

– Preparation of the annual accounts and proposed allocation of profits/losses.
– Periodic public information.
– Budgets and definition of objectives.
– Significant investments and divestments.
– Grant of powers of attorney.
– Remuneration of the Board of Directors and of senior management.
– Approval of various annual reports.
– Call to the General Shareholders' Meeting, formulation of proposed resolutions, and the corresponding reports of the directors.
– Update of corporate policies.
– Evaluation of the Board of Directors.
– Approval of risk limits and indicators.
– Implementation of increases and reductions in capital approved by the shareholders at the General Shareholders' Meeting.
– Financial transactions (debt and equity).
– Interim appointment of directors.
– Hiring of the auditor.
– Significant awards.
– Appointment of directors at companies in which the Company has an interest (affiliates).

Remuneration and incentives

G4-51 Remuneration policies for the highest governance body and senior executives, as well as the relationship to economic, environmental, and social performance.

The *Annual Director Remuneration Report 2015,* approved by the shareholders at the General Shareholders' Meeting, which includes the *Director Remuneration Policy,* individually describes the remuneration received by each director. It also sets forth the corporate social responsibility parameters to which the variable remuneration of the chairman & chief executive officer is linked.

The current version of the Director Remuneration Policy approved by Iberdrola is available at www.iberdrola.com. This policy implements, among other things, the structure of the remuneration of the directors for their activities as such and the structure of the executive directors' remuneration for the performance of their executive duties, based on a series of parameters that are in line with standard remuneration at companies in the industry. This report was submitted to a consultative vote of the shareholders at the General Shareholders' Meeting held on 27 March 2015, and was approved with only 1.15% of the shares represented in person and by proxy voting against.

The *Director Remuneration Policy* and the *Senior Officer Remuneration Policy* seek to comply with the good governance recommendations generally recognised in the international markets on remuneration issues. In particular, the remuneration policy for the executive directors and the senior officers includes a significant variable component linked mainly to the performance of the Company with respect to certain specific and pre-established economic/financial, industrial, and operational parameters that are quantifiable and aligned with the strategic goals of the Company and the Group for the purpose of retaining and motivating the executive directors and for the creation of long-term value. Weight is also to be given to goals in the areas of corporate governance and corporate social responsibility, as well as to the individual performance of the executive directors.

As regards aspects relating to the Company's economic, environmental, and social performance, variable remuneration for the management team of the Iberdrola Group takes into account variable parameters linked to financial as well as environmental and social aspects.

G4-52 Process for determining the remuneration of the highest governance body and senior executives, stating whether independent consultants are involved.

As provided in the *By-Laws* and the *Regulations of the Board of Directors* of Iberdrola, the Board of Directors, at the proposal of the Remuneration Committee, is the body with power to set the remuneration of directors, except for such remuneration as consists of the delivery of shares of Iberdrola or of options thereon or which is indexed to the price of the shares of Iberdrola, which must be submitted to the shareholders for approval at the General Shareholders' Meeting. The Remuneration Committee is a consultative committee chaired by and made up mostly of independent directors.

The Remuneration Committee is responsible for evaluating the level of attainment of the targets to which variable remuneration is linked. To such end, in financial year 2015 it drew on the advisory services of PricewaterhouseCoopers Asesores de Negocios, S.L.

Pursuant to article 48.1 of the *By-Laws*, the overall limit to the amounts that may be allocated by Iberdrola to the directors each year as remuneration, including, in the case of executive directors, remuneration payable for performing executive duties, as well as the funding of a reserve to meet the liabilities assumed by the Company in connection with pensions, payment of life insurance premiums, and payment of severance to former and current directors, is 2% of the consolidated group's profit for the financial year, after allocations to cover the legal and other mandatory reserves and after declaring a dividend to the shareholders of not less than 4% of the share capital.

The *Director Remuneration Policy* and the *Senior Officer Remuneration Policy* are available at www.iberdrola.com.

G4-53 Report how Stakeholders' views are sought and taken into account regarding remuneration.

The *Director Remuneration Report* for financial year 2014 was submitted to a consultative vote of the shareholders at the General Shareholders' Meeting held on 27 March 2015, which had a quorum of more than 78.65%, and was approved with only 1.15% of the shares represented in person and by proxy voting against.

G4-54 Report the ratio of the annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.

G4-55 Report the ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.

Iberdrola's Corporate Governance Model provides for the existence of a holding company, Iberdrola S.A., and for country subholding companies in the main countries in which it does business, as shown in indicator G4-42 of this report and as described on the Company's website.

The main countries in which the Iberdrola Group does business are Spain, the United Kingdom, the United States, Mexico, and Brazil, and the remuneration ratios are set forth in the table below.

Country[8]	Highest level of remuneration	Indicator G4-54[9]		Indicator G4-55	
		2015	2014	2015	2014
Spain	Director	27.01	17.67	8.7	N/A
United States	Director (CCO)[10]	15.33	14.49	1.79	2.23
United Kingdom	Director (CCO)	10.84	9.53	14.64	1.27
Mexico	Corporate Director	10.78	8.48	1.33	0.17
Brazil	Director/Chair	43.6	33.61	3.7	2.74

The *Annual Director Remuneration Report* for financial year 2015, available at www.iberdrola.com, describes the remuneration of the Board of Directors of the holding company Iberdrola S.A.

8 Spain: Generation, Distribution, Retail, Renewables, and Engineering.
United States: Networks, Renewables, Gas, and Engineering.
United Kingdom: ScottishPower (including Renewables) and Engineering.
Mexico: Generation, Renewables, and Engineering.
Brazil: Elektro

9 Composition of total annual remuneration: fixed salary, fixed and variable salary supplements, and annual variable remuneration, excluding the long-term incentive plan which corresponds to the entire workforce, whether permanent or temporary, and whether full-time or part-time, the latter being calculated as full-time salary equivalents.

10 CCO: Chief Corporate Officer.

7. Ethics and Integrity

G4-56 Description of values, principles, standards, and norms of behaviour such as codes of conduct and codes of ethics.

Ethics is at the core of the Iberdrola Group's strategy, its business model, and its decision-making chain. Iberdrola therefore works in order to ensure that its commitment to ethics and respect for the environment are the foundation for a sense of belonging and for the trust of all the people and the various stakeholders with whom the Company interacts.

As a reflection of this business culture that is respectful of the natural and social environment, Iberdrola has formulated the mission, vision, and values applicable to the entire Group, a detailed description of which can be found at www.iberdrola.com.

The basic objectives on which the Group's vision is based include its firm commitment to ethics, good corporate governance, and transparency. Iberdrola thus aspires for its conduct and that of the persons related to the Group, including all participants of the value chain, to conform and adhere not only to applicable law and the Corporate Governance System, but also to ethical principles and generally accepted principles of social responsibility. The mission, vision, and values of the Group, far from constituting a mere declaration of principles, are integrated into its day-to-day management, and in all its areas of activity.

The mission, vision, and values of the Group are inspired by and take shape in the Company's *Corporate Policies*, the *Code of Ethics*, and the other regulations of the Corporate Governance System. The *Code of Ethics* of the Company, in existence since 2002, further develops the mission, vision, and values of the Group and establishes a set of principles and guidelines for conduct to ensure the ethical and responsible behaviour of the Group's professionals in their activities.

These principles and guidelines for conduct apply to all of the Group's professionals, regardless of seniority, geographic or functional location, or the company of the Group to which they provide their services.

The body charged with ensuring that the *Code of Ethics* is applied is the Compliance Unit (the Unit), which was set up by the Board of Directors in December 2012, following the highest corporate ethics standards, as an internal and permanent collective body connected to the Corporate Social Responsibility Committee and with duties in the regulatory compliance area. The Unit's main duties include ensuring that the *Code of Ethics* is applied and the dissemination of a preventative culture based on "zero-tolerance" towards the commission of unlawful acts and fraud.

The Group also has policies, codes, and procedures to govern conduct in various areas relating to these matters, including the following, among others: *Crime Prevention and Anti-Fraud Policy, Directors' Code of Ethics, Procedure for Conflicts of Interest and Related-Party Transactions with Directors, Significant Shareholders, and Senior Officers, Internal Regulations for Conduct in the Securities Market,* and *Internal Rules for the Processing of Inside Information.*

This ethical and good governance commitment is transmitted to the third parties with which the group is connected through various initiatives, which include the *Suppliers' Code of Ethics*, which sets forth the Group's firm commitment to not allow any corrupt, fraudulent, or illegal practice, or practices contrary to the policies and principles of the Company in the area of corporate social responsibility in its supply chain.

In addition, the Wholesale and Retail Business has a *Sales Code of Ethics*, the purpose of which is to establish the principles that are to govern the conduct of sales representatives and external sales teams with respect to customers.

In addition, compliance divisions have been established at each country subholding company and/or head of business company of the Group, which are structured as internal independent areas linked to the respective Audit and Compliance Committee, with duties in the area of regulatory compliance and in the prevention and correction of unlawful or fraudulent conduct.

G4-57 Internal and external mechanisms for seeking advice on ethical and lawful behaviour.

G4-58 Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity.

Since its inception, the Compliance Unit has established a global operating framework through the definition and monitoring of a robust and traceable ethics and compliance system, designed on the basis of the parameters set forth in best international practices on control, compliance, fraud prevention, and the fight against corruption (Compliance System).

The primary aim of the Compliance System is to encourage the organisation to act in accordance with applicable ethical principles and legal provisions, through a set of procedures and actions designed to prevent, detect, and react to irregular actions, fraud, or actions contrary to the Group's *Code of Ethics* or applicable laws and regulations.

The Group's reporting channels

One of the basic elements of the Compliance System is to establish detection and/or monitoring mechanisms to verify the effectiveness of the controls and prevention activities carried out at the Group. Such mechanisms include the ethics channels, which constitute transparent tools to report conduct that could entail an irregularity or an act contrary to the law or to the rules of conduct set forth in the *Code of Ethics*. Queries are also made through these channels on matters relating to the interpretation of and compliance with the *Code of Ethics*. All information received through these channels is treated as confidential information.

In addition, ethics mailboxes coexist with other helpline reporting mechanisms available at some country subholding companies and/or head of business companies of the Group, such as Elektro, Avangrid, or ScottishPower, where such mechanisms allow for anonymous use and are also accessible to third parties.

In any event, there is an express commitment at the Group, reflected in the *Code of Ethics*, not to take reprisals against those using the aforementioned channels.

All professionals who have reasonable indications that any irregularity or any act contrary to the law or to the rules of conduct of the *Code of Ethics* has been committed must report it through the aforementioned channels.

In addition, supplier ethics mailboxes have been implemented during financial year 2015. Such mailboxes are communication channels to enable the suppliers of the companies or head of business companies of the Group, as well as the companies that they hire to provide services or supplies, their respective employees, and the companies that have participated in a tender for services or supplies to become suppliers, to report conduct that could entail infringement by any Group professional of the Group's Corporate Governance System or any act in violation of legal provisions, or the commission by a supplier, any of its subcontractors, or their respective employees of any act contrary to the law or to the provisions of the *Suppliers' Code of Ethics* within the framework of their business relations with the Company or the companies of its Group. Such mailboxes are available at www.iberdrola.com, specifically in the Procurement portal of the supplier section.

Furthermore, the Group has a Shareholders' Ethics Mailbox. Such mailbox represents a channel of communication through which shareholders can report conduct that may entail a breach of the Company's Corporate Governance System or the commission by any professional of the Group of an act contrary to the law or to the rules of conduct of the *Code of Ethics*. This mailbox is available on the Group's corporate website, specifically within the interactive system provided for the shareholders known as "OLS – On-Line Shareholders".

The management of the ethics mailbox for Group professionals, established in the *Code of Ethics*, of the suppliers' ethics mailbox established in the *Suppliers' Code of Ethics* and included in the *Procurement Policy*, and of the shareholders' ethics mailbox established in the *Policy regarding Communication and Contacts with Shareholders, Institutional Investors, and Proxy Advisors* is the responsibility of the Compliance Unit and of the Compliance Divisions of the Group.

Processing and investigation

As laid down in the Regulations of the Compliance Unit, it falls upon the Compliance Unit to handle communications made through the ethics channels, except in cases where the report affects an employee assigned to a country subholding company or head of business company that has a Compliance Division.

The right to privacy, to a defence, and the presumption of innocence of the persons under investigation are guaranteed in all investigations.

In addition to the investigation work and the possible disciplinary action that may derive from it, the situations reported through these ethics channels are reviewed in detail by the Compliance Unit and Compliance Divisions in order to identify possible corrective actions and suggest improvements in the control, prevention, and mitigation systems so as to try to prevent a future repetition of the irregular situations detected.

Communications received during financial year 2015

As regards the communications received through the channels established in the Group, a total of 477 communications were received in financial year 2015, of which 223 were queries and 254 reports. Of the total reports received, 83% were admitted for processing, and of these, in only 20% of the cases was it shown that there had been irregular conduct or conduct contrary to the *Code of Ethics* which led to some type of disciplinary action.

Part II.

Specific Standard Disclosures

This section describes the substantive aspects affecting the Iberdrola Group, which are determined using the standard described in indicator G4-19 of this report.

Each Aspect describes the Company's approach for appropriate management thereof and reports on the results achieved by means of the respective indicators. When several of these aspects are managed with similar approaches, the approach is described in one of them and the others provide a cross-reference thereto.

There are also tools, processes, and procedures for managing the substantive aspects identified that are general to the Company and applied to all of them, which are described below and should be kept in mind to understand the manner in which Iberdrola performs its activities and manages its economic, environmental, and social impacts.

General management approach, applicable to all aspects of this report

Policies and commitments

The Company's Corporate Governance System is made up of the By-Laws, Corporate Policies, internal corporate governance rules, and other internal codes and procedures.

The Iberdrola Group thus has a set of Corporate Policies that further develop the principles reflected in the Corporate Governance System and contain guidelines that govern the activities of the Company and the companies of its Group, as well as its directors, officers, and employees, within the framework of the vision and values of the Company.

Group companies assume a set of principles and values that express their commitment in the areas of corporate governance, business ethics, and corporate social responsibility. The knowledge, dissemination, and implementation thereof serve as a guide for the conduct of the Board of Directors and its committees and the other bodies of the Company in their relations with shareholders, investors, customers, suppliers, and the general public.

These policies are grouped into three categories:

– *Corporate Governance and Regulatory Compliance Policies.*

– *Risk Policies.*

– *Social Responsibility Policies.*

And full and summary versions thereof can be found under the "Shareholders and Investors" tab at www.iberdrola.com.

Iberdrola has also made certain public commitments guiding the actions of the Group:

– By subscribing to various initiatives relating to the environmental and social dimensions of its activities, which are listed in indicator G4-15 of this report.

– By belonging to certain business and social organisations such as those described in indicator G4-16 of this report, identifying with their goals and purposes.

These policies and commitments serve as a guide for the Company and its employees in the management of their activities, and specifically with respect to the areas dealt with in this document.

Responsibilities

Indicator G4-42 of this report describes the organisational model of the Iberdrola Group and its responsible persons. The responsibilities of the corporate functions or business units for the various aspects dealt with in this report are the following:

– Aspects relating to corporate governance and those affecting the legal area are the responsibility of the Secretary of the Board of Directors.

– Aspects relating to labour practices are the responsibility of the Human Resources Division, within the Financial and Resources Division.

– Aspects relating to the environment are the responsibility of the Innovation, Sustainability, and Quality Division.

– Aspects relating to supply are the responsibility of the Procurement and Insurance Division, within the Financial and Resources Division, if referring to supplies generally, and the responsibility of the Wholesale and Retail Division, within the Group's General Business Division, if referring to supplies of fuel.

– Aspects relating to regulation and public policy are the responsibility of the Group's General Business Division.

– Aspects relating to the products sold, demand, customers, and other related issues are the responsibility of the Wholesale and Retail Business if they refer to liberalised markets such as Spain or the United Kingdom, and are the responsibility of the Networks Business if they relate to regulated markets such as the United States or Brazil.

– Aspects relating to the production facilities are the responsibility of the Wholesale and Retail Business or the Renewables Business, each in their own area of activity, and those relating to the transmission and distribution facilities are the responsibility of the Networks Business. These three businesses are within the Group's General Business Division.

In addition:

– The Operating Committee, made up of the chairman, the business CEO of the Group, and the heads of the corporate functions and business units, is an internal committee providing technical and informational support for the supervision, organisation, and monitoring of general management guidelines as well as for the strategic planning of the businesses managed by the head of business companies of the Group; and

– The Compliance Unit, an internal and permanent collective body, linked to the Company's Corporate Social Responsibility Committee, with duties in the area of regulatory compliance and the Company's Corporate Governance System and particularly in preventing crime and fraud.

To carry out these duties, Iberdrola's model provides that they be assumed in a decentralised manner by the country subholding companies and the head of business companies in each country, which are organised through their respective boards of directors. The business subholding companies carry out the actual management thereof, as well as day-to-day administration and control.

Goals, resources, and results

Iberdrola publicises its medium- and long-term goals on a periodic basis, using different formats for such purpose. The *Investor Day,* the contents of which are available at www.iberdrola.com, is one of the most significant events to externally communicate the future prospects of the Company. Iberdrola publishes additional information in the form of the annual Integrated Report, which can also be found on the corporate website.

Internally, the various businesses and corporate organisations define their annual goals, consistently with the strategic goals of the Company, both of a financial and a non-financial nature, focused specifically on the activities for which they are responsible. The results obtained compared with the goals set serve to establish the annual variable remuneration of the Company's management team, through a procedure audited by the Company's Internal Audit Division.

To reach these objectives, Iberdrola has an annual process of resource allocation through the establishment of the respective budgets of revenues and expenses approved by the Company's Operating Committee.

Iberdrola's achievements are reflected in the various quantitative indicators included in the different aspects dealt with in this report.

By way of supplement, the businesses and corporate areas have defined specific goals in the area of corporate social responsibility, which are contained in the CSR Plan 2015-2017. This replaces the previous CSR Plan 2013-2014, which, upon completion, had achieved 96% of the goals set.

The new plan is based on goals connected with the business model and the management of the Company's tangible and intangible assets, focusing on each one of them (financial, industrial, intellectual, human, natural, social, and relational capital). Based on the goals, activities are defined that will allow each organisation within the Company to contribute to the aforementioned plan, with a view to achieving uniform progress in the field of CSR across all countries, businesses, and corporate areas.

These goals are monitored every six months by the Group's Corporate Social Responsibility and Reputation Committee and by the Corporate Social Responsibility Committee of the Board of Directors when so requested.

A. Economic Dimension

The aspects dealt with in this chapter are the following:

Aspects of the GRI-G4 Guidelines

Economic performance
Market presence
Indirect economic impacts
Procurement practices

Specific Aspects of the GRI-G4 Electric Utilities Sector Supplement

Availability and reliability
System efficiency
Demand-side management
Research and development
Decommissioning of nuclear plants

Specific Aspects of the Iberdrola Group

Costs of Supply
"Green Bonds"

The information boundaries used in this chapter are defined in indicator G4-17 of this report.

Aspect: Economic performance

Management Approach

The electricity sector is a significant driver of the economy, to which it contributes through major annual investments and the creation of jobs, both direct and indirect. Its function in the current energy environment is to provide safe, competitive, and sustainable supply, in which clean technologies are critical in combating climate change and reducing dependence on fossil fuels.

Iberdrola continues to be engaged in a process of growth and internationalisation that has made it one of the leading electric companies in the world. This strong position was achieved through a sound, long-term industrial plan that is both profitable and creates value, based on a business strategy of sustainable growth.

Energy is globally trending towards moderate growth in the medium and long term. Iberdrola's strategy has been based on consolidating its financial strength, investing in regulated businesses, and continuing to implement efficiency improvements; thereby maintaining the same strategic pillars that enabled the successful navigation of the global economic and financial crisis, as well as achieving the goals set out in its *2014-2016 Strategic Pillars* a year ahead of schedule. These pillars are:

– Balanced risk profile
– Operational efficiency
– Financial strength

A summary of the Iberdrola strategy can be found in the document *Outlook 2014-2016* (or in the document superseding it in a subsequent period), which can be accessed through its corporate website in the *Shareholders and Investors* section.

Iberdrola's financial results for the year are summarised in the annual financial information for 2015, which is available online at www.iberdrola.com. Alongside these results, the Company also requires its companies to explain how they are achieved and to evaluate them in terms of sustainability. In Iberdrola's case, this comprehensive overview can be seen this *Sustainability Report 2015* along with the aforementioned financial information. In addition, the *Integrated Report. February 2016*, the quarterly reports on results, and other economic information of interest can be found at www.iberdrola.com.

G4-EC1 Direct economic value generated and distributed

Direct economic value generated, distributed, and retained (€ millions)	2015	2014[11]	2013[11]
Iberdrola consolidated			
Revenue (sales and other income)	32,421	31,434	32,241
Operating costs	20,995	19,912	21,496
Employee remuneration (excluding company social security costs)	2,187	2,086	1,998
Payments to providers of capital	1,646	2,753	2,554
Payments to government	2,746	2,445	2,625
Community investments	30	27	23
Economic value retained	4,817	4,211	3,545

Tax contribution (€ millions)[(1) (2)]	2015	2014	2013
Iberdrola consolidated			
Company contributions	2,746	2,445	2,625
Contributions due to third-party payments	2,774	2,566	2,535
Total	5,520	5,011	5,160

(1) Analistas Financieros Internacionales (AFI) has estimated that the total annual tax contribution of the Company is approximately 11,600 million euros, based on Iberdrola's activities during the 2010-2015 period.
(2) The figures do not include the Neoenergia Group given that they are consolidated by the "equity method", according to the consolidated financial information of the Iberdrola Group. For this reason, the 2013 and 2014 figures have been recalculated following the same standard so that the data set is comparable.

A breakdown by geographic area can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

11 The data for 2013 and 2014 have been revised.

G4-EC2 Financial implications and other risks and opportunities for the organisation's activities due to climate change.

2015 was a very important year in terms of the decisions made on the international stage to combat climate change. Iberdrola welcomes the recent COP21 agreement in Paris, which for the first time has highlighted a general consensus regarding the need for global temperatures to not exceed two degrees Celsius over temperatures from the pre-industrial era. Furthermore, this agreement creates a strong platform on which to continue working on its implementation over the coming years.

Iberdrola also supports the Sustainable Development Goals (SDGs) 2015-2030, approved at the UN Sustainable Development Summit in New York in September 2015. The SDGs consist of 17 goals and 169 targets. Significant importance was attached to energy and climate change, which represent two cross-cutting areas that are critical to the achievement of the other goals.

The Iberdrola Group is exposed to the various risks inherent in the different countries, sectors and markets in which it operates. Due to their significance, the following should be considered: effects of climate variables on production (hydroelectric and wind) and demand (temperatures); price volatility of electricity and fuel (gas, coal, CO_2, etc.); regulatory risks in the countries in which the Company operates; exchange rate and interest rate volatility; and operational risks due to non-availability of facilities and major incidents on the grid. Senior management at Iberdrola is heavily committed to and actively involved in managing the Group's risks.

The Company has a comprehensive risk control system in place, the purpose of which is to provide assurances in terms of economic profitability and environmental and social impact, by properly managing the risk/opportunity relationship. The following are the main features of this system:

– A structure of risk policies and limits approved by the management bodies.

– Identification and assessment of, and establishment of priorities for, the new key risks of the businesses and the Group.

– Oversight and control of the impact of risks on the profit and loss account.

– Assessment and control of the risks associated with new investments.

Iberdrola's commitment to combating climate change stems from its Board of Directors. In 2015, it approved the revision of the *Policy against Climate Change,* in which the Company commits to supporting international conventions to address this environmental problem, encouraging the development of efficient technologies from the standpoint of greenhouse gas emissions, boosting efficient energy use, and increasing its customers' awareness of the importance of engaging in responsible energy consumption.

Iberdrola has played an important role in the preparation for the Paris summit, which it attended with a new goal of reducing emissions intensity. The Company undertook to cut CO_2 emissions intensity to under 150gCO_2/kWh by 2030, 50% below Iberdrola's specific emissions in 2007.

Similarly, Iberdrola signed up to a number of initiatives, the most high profile of which are: United Nations Climate Action (climateaction.unfccc.int), Paris Pledge for Action, Commitment to Action (ex- CDP Roadmap to Paris), We mean business, NAZCA, CEO Climate Leaders (World Economic Forum), Powering Innovation for a Sustainable Future (Global Sustainable Electricity Partnership) and One Million Climate Commitments (MAGRAMA), with the goal of reducing emissions and promoting responsible corporate policies on climate change.

Once the risks arising from climate change have been identified and managed, these factors have minor impact in the short and medium term. In contrast, in terms of opportunities the Paris Agreement opens up a whole new area of possibilities, given its recognition of the need to deal with an ambitious scenario of decarbonisation, which means moving towards a more efficient and less carbon intensive energy model in which electricity plays a key role.

Iberdrola has increased the transparency and communication of its climate change policies (100 points in the Climate Leadership Index) and is taking the steps needed to reduce emissions (category A in the Climate Performance Index).

In order to show the Company's efforts to mitigate and adapt to the consequences of climate change, a special area has been created on the corporate website: www.just2.challenge.com.

G4-EC3 Coverage of the organisation's defined benefit plan obligations

In Spain, the companies signing the *6th Collective Bargaining Agreement* jointly sponsor a voluntary employee pension plan in which 99% of the workforce participates. The periodic contributions made under this system and under the current Collective Bargaining Agreement is determined as a percentage of each employee's annual pensionable salary. Iberdrola does not have any unmet financial commitments pending with respect to this plan.

In the United Kingdom, 91% of the workforce participates in the pension plans in one form or another:

– The defined-benefit plan has two pension plan structures, based on company and seniority. They have been closed to new members since 1 April 2006.

– The defined-contribution plan has a pension scheme that is based on a percentage of each employee's annual pensionable salary. This scheme is optional for employees and is co-funded by the company and employees.

In the United States:

– The Networks Business has five defined-benefit plans, covering union and non-union employees, for which the company makes the contribution, with benefits being based on salary and years of service. As of 1 January 2014, all defined-benefit plans were closed to new members. It also has defined-contribution plans with distinct and separate operations covering employees who are both subject and not subject to the collective agreement. Employees can make contributions as a percentage of their pre-tax salary (generally up to 50%). Almost 100% of the workforce is eligible to join these defined-contribution plans, with some 88% having signed up.

– The Renewables Business has a corporate defined-benefit plan, with contributions assumed by the company and benefits determined based on salary and years of service. Vesting in this plan was frozen as at 30 April 2011. It also has a defined-contribution plan with three different types of company contributions. Employees can make contributions as a percentage of their pre-tax salary. 100% of the workforce belongs to these defined-contribution plans.

In Brazil, Elektro has a defined-benefits plan for employees who joined before 31 December 1997, and a Mixed Plan (70% of salary as defined benefit and 30% as defined contribution) for those who joined after 1 January 1998. 82% of the workforce belongs to these defined-contribution plans. The rest of the affiliates in Brazil have pension plans for all their employees, with contributions made by the company and by employees based on previously-agreed percentages, except for employees of the following companies: Iberdrola Brasil, Iberdrola Operação e Manutenção (operator of the Termopernambuco plant), Iberdrola Renovaveis do Brasil, Iberdrola Construção e Serviços, and Enerbrasil.

Commitments to unionised employees in Iberdrola Mexico, consisting of agreed benefits in the event of death, disability or retirement, and which are included in combined cycle tenders, are funded out from internal funds. In 2015, a defined-contribution pension plan was implemented, with close to 100% of the workforce signing up.

G4-EC4 Financial assistance received from governments

Assistance received

Financial assistance received by the Iberdrola Group is shown in the following table on a consolidated basis:

Financial assistance (€ millions)	2015	2014	2013
Capital subsidies	16	0	12
Investment tax credits[12]	0	0	20
Emissions rights	0	0	0
Assistance for other items included in the GRI Protocol	0	0	0
Iberdrola consolidated total	16	0	32

A breakdown by geographic area can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

Government participation in shareholding structure

The Iberdrola Group is not aware of government participation in the shareholding structure.

12 *Créditos fiscales a la inversión.*

Aspect: Market presence

Management Approach

In the various countries in which it operates, Iberdrola Group has put in place databases and selection procedures that comply with the legal provisions in each country governing data protection and labour relations that ensure non-discrimination and equal opportunity in all its selection processes.

The technology and tools used in its processes aim to objectively select the most suitable professionals, without exclusions of any kind limiting the effectiveness of the selection.

The management approaches described in the "Labour Practices and Decent Work" chapter of this report are applied to both remuneration as well as the selection of professionals.

G4-EC5 Ratios of entry level wage to local minimum wage

Iberdrola's hiring terms, which are contained in the various collective bargaining agreements of the Group, guarantee that the entry level salaries applied at the Company are the same for men and women. However, due to the specific nature of the workforces of certain companies and the weighting of the calculations made, the statistical treatment of information at the Group level gives the figures in the following table, but should not be interpreted to show a difference in hiring terms between both groups.

Basic entry level wage compared to local minimum wage (%)	2015	2014	2013
Men	156.27	163.43	158.67
Women	141.49	149.41	134.41
Basic boundary	152.36	160.87	152.25

A breakdown by geographic area can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

G4-EC6 Senior management hired from the local community

The principles of non-discrimination and equal opportunity applied at the Iberdrola Group are contained in both the *Code of Ethics* and in various collective agreements, policies and procedures that have been approved and implemented, such as:

– The 6th Collective Bargaining Agreement and the *Recruitment and Selection Policy,* applied in Spain.

– The Collective Bargaining Agreement and the policies on equal opportunity, anti-age discrimination, people with disabilities, equal pay, harassment, and flexible working policies, as applied in the United Kingdom.

– The Collective Bargaining Agreement and policies on sexual harassment, equal employment opportunity, harassment and discrimination, as applied in the United States.

The application of all these instruments ensure that selection processes are based on the candidate's merits, enabling non-discriminatory participation in these processes.

In implementing these procedures, Iberdrola's approach is to promote and favour the hiring of employees in the geographic boundaries in which it operates, also encouraging these individuals to reach executive positions in the corresponding companies. In 2015, for companies within the basic boundary, 97% of executive officers were local managers, defined as anyone with management responsibilities in a particular geographic area coming from the local community, therefore excluding professionals of other nationalities who are assigned there temporarily under an international mobility programme.

Aspect: Indirect economic impacts

Management Approach

In addition to the direct economic impacts that occur as a consequence of the cash flows that are generated, the Iberdrola Group also brings about additional effects or indirect impacts such as those described in this Aspect.

G4-EC7 Development and impact of infrastructure investments and services supported

During the construction and operation of its facilities, Iberdrola carries out certain infrastructure activities that are unrelated to its facilities and without a specific commercial purpose, but rather that are intended to meet the needs of the social environment, resolving existing shortcomings in the local communities. A summary of these projects with strong social impact during 2015 is provided below:

Infrastructure

In Spain, it cooperated on the refurbishment of various municipal infrastructures.

In Mexico it has participated in the construction and/or improvement of various recreational, educational, and health centres, as well as street paving, and expansions of potable water and sewage networks.

In Brazil, work has been performed for the recovery, maintenance, and conservation of gardens and urban street furniture. In the field of street lighting, an initiative was launched to improve the energy efficiency of public buildings and non-profit organisations, across 23 different municipalities, yielding estimated savings of 1,691 MWh/year.

It also cooperated on the refurbishment and maintenance of schools in Greece.

Services

Significant service activities include support for professional formation and training in areas near Iberdrola's facilities. *Energy Classrooms* near the wind farms in Spain were visited by more than 15,000 people in 2015. In the United Kingdom, there are also two visitor centres, located at the Cruachan hydroelectric plant and at the Whitelee wind farm, which are visited by the general public and school groups.

Worthy of note is the collaboration with Hydrographic Confederations and other bodies in Spain to enable various activities near the hydroelectric reservoirs (sports events, reproduction of certain species, etc.), by adjusting flows at certain times.

G4-EC8 Significant indirect economic impacts

Indirect impacts of the businesses and facilities

From an economic standpoint, the expansion of electricity systems drives the regional economy in the region where it occurs and creates employment opportunities, contributing to economic and social enhancement.

Positive effects include:

– Facilities for the production, transmission, and distribution of electrical energy are built in dispersed geographic locations. This contributes to the generation of economic activity and jobs in urban and rural environments.

– These same facilities create significant indirect employment in the region in the form of local contracting companies, creating demand for various lodging, security, health, mechanical, transport services, suppliers, etc.

– Professional training is promoted and skilled labour boosted in local communities, such as services for maintaining wind farms.

– Local communities are supported through the sponsorship of the initiatives of social and environmental institutions and organisations.

– Due to their geographic reach, electricity activities generate fees, taxes, and duties at the local, regional, and national levels.

Negative effects can be considered to include the following:

– The landscape impact of the facilities, especially large ones, and the possible negative effects (during construction or operation) on traditional activities, particularly in the rural environment, such as ranching, hunting, or fishing.

– Environmental risks, which may give rise to undesirable consequences for the environment, such as spills and improper emissions, or waste management; these situations might occur despite the demanding operational practices developed by the Group.

Indirect impacts of the supply chain

The high volumes of Iberdrola's purchases (described in the G4-12 indicator) of equipment, works, and services, as well as fuel, becomes an engine for growth in the countries in which the Company is present.

Entrepreneurial support

Iberdrola supports the creation and strengthening of new business products through a number of significant initiatives, including the following during 2015:

– In 2015, Iberdrola procured a volume equivalent to 36 million euros from companies in Spain that have been operating for less than 5 years, which is clear support for entrepreneurs. It also added the *Best Young Company* category to one of the *Supplier of the Year Awards* given by Iberdrola.

– Iberdrola's venture capital programme, Iberdrola Ventures - Perseo, funded with 70 million euros, is an opportunity for companies dedicated to innovative technologies and business models, ensuring the sustainability of the energy model.

– In both Spain and in the United Kingdom, United States, and Brazil, there has been technical, human, and financial support for various initiatives aimed at supporting entrepreneurs and creating new companies.

Aspect: Procurement practices

Management Approach
G4-EC9 Spending on local suppliers

Iberdrola maintains a strategy of creating value in the regions in which it operates. The volume of purchases made by the Company each year spurs indirect employment in auxiliary industries and at service providers.

The following table shows the volume of procurement from local suppliers:

Acquisition or contracting of materials, equipment, works, and services from local suppliers (%)	2015	2014	2013
Spain	93	84	87
United Kingdom	80	91	83
United States	98	99	99
Mexico	61	60	64
Brazil	100	100	100
Other	41	40	67
Basic boundary	85	87	86

But aside from purely economic value, Iberdrola drives the market on sustainability and responsibility, encouraging suppliers to improve their environmental, ethical, and social record through actions that foster excellence in their management, beyond mere technical quality, thereby helping suppliers become more competitive.

Electric utilities sector specific aspects

Aspect: Availability and reliability

Aspect: System efficiency

Management Approach

Spain

The planning of generation in Spain is a government function and is indicative in nature, as participants make investment decisions within a free-market environment.

Analysing the reliability of the short-term electricity supply is a task assumed by the System Operator, to which Iberdrola contributes significantly through a cutting-edge renewable energy control centre, amongst others.

The Networks Business also contributes to guaranteeing reliability, performing studies to identify the short- and long-term investments needed to meet new demand and to renew older facilities by adopting more modern technologies, with a view to guaranteeing a more operational and reliable network.

United Kingdom

A large part of the United Kingdom's generating facilities is reaching the end of its useful life, and the government is determining an energy policy and regulations to enable renewal without endangering the safety of supply. There are auctions of capacity in which the government calculates the amount of capacity required, depending upon its system reliability target, and industry players offer their facilities until need is met. December 2015 saw the second of these auctions, in which both existing plants and new projects took part. Iberdrola is developing new projects in the technologies promoted by government policy over the next decade: offshore wind and combined cycle.

In the field of electricity transmission networks, in the United Kingdom, the business is governed by the RIIO-T1 plan over the 2013-2021 period. Significant investments are being considered during this period, with a dual purpose: first, to increase the transmission capacity of interconnections between Scotland and England, and second, to enable the evacuation of energy from all renewable facilities expected in the short to medium term. Both objectives will make it possible to guarantee reliable, high-quality service in the coming years.

In connection with the reliability of electricity distribution networks, it is ensured through studies that make it possible to identify the short- and long-term investments needed to meet new demand and to renew older facilities, all of which is managed in accordance with the RIIO-ED1 framework for the 2015-2023 period.

United States of America

Iberdrola is among the leading producers of wind energy in this country. The construction of a new electricity transmission corridor from Canada to the United States through the state of Maine is an element that allows for the integration of growing wind production, improving grid stability and the reliability of both systems.

The Group's North American companies act in accordance with the laws and regulations of the states in which they operate. In the state of New York, the companies participate in planning activities through official bodies, ensuring that they can meet short- and long-term demand under proper conditions of reliability and safety.

The System Operator (ISO) operates within the reliability margins set by the North American Electric Reliability Council, the Northeast Power Coordinating Council, and the New York State Reliability Council (NYSRC). NYSRC sets the installed capacity reserve margin, as well as the required level generating capacity, such that the loss of load in the New York control region is no more than one day per ten years. In New England, ISO-NE sets installed capacity requirements (ICR) using similar criteria.

In the state of Maine, transmission and distribution companies have no authority over energy planning, and cooperate with official bodies on operational matters that may be required by such bodies. In any case, electricity distribution companies guarantee reliability, carrying out studies that make it possible to identify the short- and long-term investments needed to meet new demand and to renew older facilities by adopting more modern technologies, with a view to ensuring a more operational and reliable network.

Mexico and Brazil

The Group's subsidiaries and affiliates in these countries manage production plants and large electricity distribution areas in close cooperation with governments to develop systems to help them attain their energy planning goals, achieving the desired balance between available resources and the quality and reliability of the electricity supply.

The Group's subsidiaries and affiliates in these countries participate in developing generating facilities (thermal, hydroelectric, and wind power) and electricity networks.

Fuel

A key element in managing the availability of electricity service is the supply of the necessary fuel. Iberdrola ensures it has a global portfolio for gas and coal supplies that is flexible and geographically diverse. This is in addition to a stable, long-term, and low-risk supply of nuclear fuel.

The risk of fuel cost is managed using financial contracts that fix the price of the fuel at a particular time. They are primarily used to fix the costs of coal and gas under long-term contracts. Derivatives must also be used to cover fuel costs in euros, as physical purchases are always made in U.S. dollars.

EU10 Programmed capacity to address projected long-term electricity demand

The companies of the Iberdrola Group have no direct responsibility for long-term planning processes for the corresponding electricity systems in the countries in which they operate.

Public authorities conduct the studies needed to anticipate the long-term needs of the respective electricity system, and Iberdrola's companies act as market agents, making investment decisions that are consistent with their business plans.

EU11 Average efficiency of thermal plants

The efficiency of Iberdrola's generating facilities is shown in the following table:

Average thermal efficiency[13] at generating facilities (%)	2015	2014	2013
Combined cycles	52.62	53.09	52.23
Conventional thermal	32.30	34.29	34.15
Cogeneration	61.58	55.46	57.62
Expanded boundary	49.20	49.05	49.02

Detailed information on thermal efficiency in the various countries can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

EU12 Transmission and distribution losses

Transmission and distribution network losses (%)	2015	2014	2013
Expanded boundary			
Transmission			
United Kingdom	1.17	1.29	1.30
United States[14]	4.01	3.94	3.98
Distribution			
Spain	7.39	7.63	8.45
United Kingdom[15]	N/Av.	N/Av.	N/Av.
United States[14]	4.73	4.65	4.66
Brazil[16]	9.20	11.02	10.71

13 Average of efficiencies weighted by the annual production of each thermal power plant.
14 Does not include those relating to the former UIL Holdings Corporation since its merger with Avangrid in the United States on 16 December 2015, as they are not yet recorded in the corporate systems. This does not adversely affect the comparability of the information given the limited impact resulting from the 15 days that it was part of the Group.
15 The procedure for calculating losses is under review by the regulatory agency Ofgem.
16 All Iberdrola Group networks in Brazil are classified as distribution.

Loss reduction programmes have been implemented in all regions to improve the reliability and availability of the supply network, which has made it possible to reduce, or at least maintain, the level of losses. These programmes are the following:

– Implementation of remote management and development of smart grids.

– Development of a Transformer Centre reporting application. This tool makes it possible to determine hourly losses at stations where remote management has been installed. It is thus possible to rank stations from highest to lowest losses both in absolute and percentage terms.

– Maintenance work on networks and substations: installation of new substations, inspection and replacement of equipment; cleaning and clearing of vegetation in line corridors, fire risk analysis, thermal imaging, increased helicopter inspections, changing conductors, installing shunt reactors and capacitors, etc.

– Acquisition of new transformers providing an average 20% reduction in losses.

– Inspection of supply points and improved contract management; inspection of facilities and regularisation of customers, regularisation of illegal connections, replacement of electromechanical meters with electronic ones, inspection processes, incentivising the detection of fraud, development of information technology systems for prompt follow-up on inspections, etc.

– Improvements to the SAS System: breakdown of models on the basis of the type of measuring equipment (CN, CG, other).

– Improvements to the Secondary Concentrator quality tool (new detection algorithms).

– In Brazil, activities include a reduction of losses in public lighting systems; improved access to meters; increase in inspections (reduction in illegal connections and connections of market stands and street vendors); increase in number of condenser batteries; installation of remote measurement systems; improvement in billing process and cutoffs for non-payment; and shielding of low voltage grids. Most of these activities are focused on reducing non-technical losses.

– In the United States, CMP is developing the Maine Power Reliability Program in order to improve the reliability of the system and reduce losses as well as other improvements in the transmission grid.

Aspect: Demand-side management

Management Approach

As part of its demand-side management programmes, Iberdrola's main objective is to improve energy efficiency and the smart use of active electrical grids and thereby contribute to the more efficient use of energy by consumers. The types of actions taken include those relating to information, training, and the supply of solutions and technologies that help them improve energy efficiency and reduce the environmental impact of their energy habits and consumption. Iberdrola engages in demand-side management in all areas of electricity distribution for its various types of customers.

The most significant specific features of this type of programme in each market are as follows:

Spain and Portugal

Iberdrola sells a wide range of products and services that promote efficiency, energy saving, and environmental protection:

– Energy efficiency: capacitor banks, energy audits, efficient air conditioning and lighting, microgeneration, home automation systems and other solutions.

– Renewable energy facilities: solar thermal and photovoltaic energy.

– Comprehensive management of energy supplies.

– Electromobility.

In 2015 close to 800,000 customers benefited from products and services that improve energy efficiency.

It should be noted that two products were launched in 2015, namely *Smart Solar* and *Hogar Inteligente (Smart Home),* to improve management of energy consumption. With respect to the first product, through the use of solar technology to manage and consume the customer's own electricity and, in the second case, to efficiently manage heating.

Iberdrola also participated in the *Consumption Efficiency Promotion Plan (Plano de Promoção da Eficiência no Consumo de Energia Eléctrica)* (PPEC 2013-2014) in Portugal, led by the Portuguese regulator ERSE, with 8 measures approved for 2014 and 2015.

Other activities to promote energy efficiency were also carried out through the website, campaigns, customer invoices, etc.

United Kingdom

In the residential customer market, ScottishPower is participating in the *Energy Company Obligation (ECO) Programme,* promoted by the British government, the purpose of which is to reduce CO_2 emissions and heating costs. It also provides energy consultancy and support services through a range of channels.

The Company's projects in the area of commercial and industrial customers are focused primarily optimising input voltage, monitoring of energy consumption by users, air conditioning and heating system adjustment and improvement, and evaluation and improvement of building management systems for local authorities.

United States of America

In Maine, residential demand-side management programmes are developed by the *Efficiency Maine Trust,* rather than by electricity companies directly. There are currently two pilot programmes: the first, in a coastal community to develop and monitor the effectiveness of energy efficiency measures, demand responsiveness, and distributed generation; and the second, with the Maine Public Utilities Commission to develop flexible tariffs for residential customers, based on smart meters.

The Group's distribution companies in New York currently have three demand-side management programmes for residential customers, and another three programmes for commercial as well as industrial and institutional customers.

Brazil

Elektro is developing two energy efficiency programmes for residential customers, alongside the National Electrical Energy Agency *(Agencia Nacional de Energía Eléctrica - Annel)*. The first, which is aimed at low-income customers, focuses on light replacement, refrigerators, installation of solar heaters, and refurbishment of electrical installations. The second is aimed at education for efficient use of energy, by educating teachers in this area. In the commercial, industrial, and institutional segments, programmes focus on the training of electrical energy managers.

Affiliates in Brazil also run demand-side management programmes. In the residential segment, Celpe, Coelba, and Cosern focus on lighting replacement, refrigerators, and other low-performing household appliances, as well as on training teachers, students, and the general population in rational energy use. In the institutional segment, Celpe, Coelba, and Cosern have carried out a range of projects relating to the improvement of energy efficiency and the generation of solar energy.

Aspect: Research and development

Management Approach

As part of a clear strategy, which is set out in the *Innovation Plan 2015-2017,* innovation is Iberdrola's primary tool for ensuring the Company's sustainability, efficiency, and competitiveness, based on three principles:

– Efficiency: focused on the continuous optimisation of operations, management of the lifecycle of facilities and equipment, reducing operating and maintenance costs, and reducing environmental impact.

– New products and services, which are designed to respond to the needs of customers in an increasingly global and competitive market. These are projects that create business models designed to offer ever more efficient and environmentally-friendly supply of energy, equipment, and technology, including energy efficiency, electrical vehicles, smart networks, and distributed energy resources.

– Disruptive technology and business models, which make it possible to face the energy challenges of the future. Through Perseo, Iberdrola's corporate venture capital programme, there is investment in technologies and new businesses that ensure the sustainability of the energy model.

Thanks to human and financial efforts (200 million euros in 2015) allocated to research, development, and innovation (RD&I), Iberdrola is in the vanguard of developing new products, services, and business models that are transforming the energy sector.

Some of the innovative initiatives are set out below, classified by major category:

Renewable energy

2015 saw continued work on RD&I projects specifically designed to develop solutions to reduce costs and improve energy efficiency: projects such as *Marinel* to build offshore substations, the *Leanwind* project to reduce the cost of offshore technology, as well as the *SmartWind* project to build models and simulations relating to the use of wind farm-related storage.

Similarly, Iberdrola is participating in the European *Best Path* project, with a view to demonstrating new technologies that enable the incorporation of renewable energy sources into European networks.

Clean generation technologies

In 2015, efforts in the generation area centred on operational flexibility and efficiency, respect for the environment, and improved safety at facilities:

Flexibility, operational efficiency, and safety of facilities:

Progress was made on the *Filtraciones* project, with the development of a new methodology for carrying out efficient inspections of water channels. With respect to facility safety, development work is ongoing based on the findings of the *Insroca, Siro,* and *Ecrigen* projects, for industrial scale application in order to guarantee the structural integrity of assets and maximise their life cycle.

In the nuclear segment, the *Migres* and *Resonuc* projects are of note. The goal of the former is to research and develop a new process for the comprehensive management of the control rods and channels used, enabling them to be managed in a more sustainable manner. In the *Resonuc* project, work is ongoing to monitor and characterise resonance in critical systems in order to develop a solution that ensures their optimal operation as a key factor in the safety and reliability of such plants.

Environment:

Iberdrola is firmly committed to reducing the environmental impact of its generating plants, with the implementation of an ambitious project called CO2Formare, focused on cooling systems at plants to reduce their environmental impact through the efficient use of CO2. Furthermore, in 2015, research from the Coeben-II project, developed at the Velilla del Rio Carrión thermal plant, was incorporated into Lada in Spain and Longannet in the United Kingdom, to bring them into line with cutting-edge environmental requirements.

Retail - New projects and services

Innovation is essential in retail activities, in order to be able to offer customers the products and services best suited to their needs. Iberdrola is continuously working on the development of new products and services, including the launch in 2015 of new products like the *Planes a Tu Medida (Just for You Plans),* and new services like *Smart Solar,* focused on improving energy efficiency through the use of solar energy, and *Hogar Inteligente Iberdrola (Iberdrola Smart Home),* based on the efficient management of heating in the home.

Smart grids

The Group's RD&I activities in electric energy distribution focus on optimising the distribution grid, with an emphasis on worker safety, environmental issues, as well as improved quality of supply. Iberdrola is blazing a path in smart grid development through various projects in all countries where it distributes electricity.

In Europe, Iberdrola leads the *UpGrid* project, where it seeks to enhance its ability to integrate active demand and distributed generation under low voltage. Work continues on the *iGreenGrid* projects in developing specific methods for integrating renewable energy into the electricity distribution networks, and on *Discern,* for comparing various smart grid solutions to find the most optimal set of architectures. In Spain, Iberdrola completed the *Price* project in 2015, the goal of which was to meet the needs identified for the development of a smart grid within an efficient, safe, and sustainable framework.

In the field of the standardisation and maintenance of overhead lines, Iberdrola is participating in the following projects: Tabon, to develop technology to verify and inspect lines, and *Silectric,* on new insulators for overhead lines and high voltage switch gear. It is also leading the *Matusalen* project to develop a system for determining the ageing of medium voltage cables in underground lines.

Projects are being carried out along this line in the United Kingdom to strengthen smart grids. Noteworthy are the *ARC* projects, the goal of which is to accelerate the process of connecting renewables within the distribution grid, *Flexnet,* to develop solutions and technologies allowing for improving and increasing the capacity of the grid, and the *VISOR* project that will implement a system to monitor the overall transmission grid to work out its capacity and dynamic performance. In Brazil, there are innovative projects like *Vants* and *Robô* to inspect distribution grids; projects to install underground grids in the cities to reduce the impact of overhead lines, and projects to improve electrical enclosures. Also noteworthy is the *Elektrobus* project, which is intended to develop a prototype of a vehicle with an electrical propulsion system using ultra-condensers. In the United States, there is the *Integrated Aerial Damage Assessment System* project, the purpose of which is to develop an aerial system to assess damages to the electrical grid after heavy storms.

Iberdrola has an RD&I smart grid technology centre in Qatar, at which it continues to develop projects in this field.

Iberdrola Ventures - Perseo

Iberdrola Ventures - Perseo is Iberdrola's 70 million-euro corporate venture capital programme, dedicated to investment in innovative technologies and business models to ensure the sustainability of the energy model. Since it was established in 2008, more than 50 million euros has been invested through the programme in start-ups developing technology and new businesses in the energy sector worldwide. The main activities in 2015 included:

– Investment alongside CDTI in the Basque company Atten2, as part of the *INNVIERTE* programme. This company is specialised in the design, manufacture and marketing of sensors to monitor fluid flows, primarily lubricating oil, in industrial applications.

– In the social investment sphere, investment in SunFunder, which has built a funding platform to allow financial investors and companies to participate in a diversified portfolio of off-grid solar projects in emerging market countries in Africa, Latin America, and Asia.

Further information on the RD&I projects in which Iberdrola participates can be found in the Innovation section of www.iberdrola.com.

Aspect: Decommissioning of nuclear plants

Management Approach

Empresa Nacional de Residuos Radiactivos S.A. (Enresa) has been responsible for decommissioning nuclear power plants since 1984. This company is also in charge of managing radioactive waste and spent fuel.

Enresa prepares the *General Radioactive Waste Plan (Plan General de Residuos Radiactivos)* (PGRR), which is the basic document setting forth the strategies to be followed and activities to be carried out in Spain in the fields of decommissioning nuclear power plants and managing radioactive waste and spent fuel. The plan also includes a financial/economic study of such activities, which is submitted for approval every 4 years to, or upon the request of the Ministry of Industry, Energy and Tourism (MINETUR).

A fund managed by Enresa has been set up to finance the activities contained in the PGRR. The fund includes provisions for the decommissioning of nuclear power plants, with a cost representing approximately 22% of the total cost of Enresa's past, present, and future activities.

As a company that owns part or all of 8 nuclear reactors, Iberdrola makes contributions to the fund for the decommissioning of nuclear plants through a fee that is calculated to cover all management expenses for radioactive waste, spent fuel, and the decommissioning of such plants.

In addition, Iberdrola allocates funds to cover the pre-decommissioning stage of its nuclear power plants. Pre-decommissioning means the period between the final shutdown of the plant and the moment when the ownership of the plant passes to Enresa for it to commence decommissioning. This is an estimated period of 3 years, during which all spent fuel - from both the reactor and the pool - must be removed, treated, and stored in containers.

Nuclenor, S.A., a company 50%-owned by Iberdrola, allocated funds for the pre-decommissioning of the Garoña nuclear plant to pay the expenses that will arise once the plant ceases commercial operation.

Specific aspects of the Iberdrola Group

Aspect: Supply costs

Management Approach

The cost of electricity supply is taking on a greater role in the political and social agenda. The principal challenge is to reconcile secure and environmentally friendly supply with the use of renewable energy at prices that are competitive and can be afforded by society as a whole.

The electricity sector, which by nature is a basic service for society, is broadly regulated in the various countries in which Iberdrola operates, with varying levels of liberalisation in each. The most significant issues being debated and regulatory developments currently occurring in these countries are described below:

European Union

– An analysis of electricity prices in recent years showed that taxes and components associated with energy and environmental policies that have risen the most, accounting for half the bill in countries such as Spain, due to the major renewables drive carried out by the electricity industry. In order for electricity supply to be competitive, cost components unrelated to the service itself must be eliminated from the electricity bill and paid for out of general taxation or from all polluting energy sources.

– The European Union's energy strategy launched in 2015 is designed to achieve the 2030 environmental agenda (according to the European Council in October 2014, a 40% reduction in GHG emissions, a 27% increase in European renewable energy sources, and a tentative 27% improvement in energy efficiency), while having regard to security of supply and competitiveness of European industry and the need for affordable prices for European citizens.

Spain

– Rates paid by electricity consumers incorporate costs derived from the pursuit of strategic energy goals: environmental (aid for renewable energy and the costs of reducing CO_2 emissions), industrial (interruptibility of large consumers and aid for co-generation), social (subsidies for electricity in non-mainland territories), economic (recovery of tariff deficits from previous years), and public finance.

– Less than half the costs of electricity supply are directly related to providing the service, and the remainder to subsidies and taxes. With some supply costs below the European average, the end prices of electrical energy for Spanish consumers are higher than the Community average.

United Kingdom

– The public debate on energy price trends has centred around the results of the energy market investigation being undertaken by the Competition and Markets Authority - CMA.

– The increase in costs unconnected with energy, such as network charges and Government support mechanisms, has limited the scope and incentives for a possible price reduction.

United States

– Tariff revisions currently under discussion or preparation reflect pressure by regulators to limit returns on capital, while at the same time maintaining the investments required to improve the network infrastructure.

– The closure of coal plants and the new regulations implemented by the Environmental Protection Agency (EPA) may increase pressure on gas and electricity prices, although shale gas production may limit this impact.

– Restrictions on transporting natural gas by pipeline in the Northeast may lead to volatility in electricity market prices during periods of extreme weather.

– The development of smart grids, the rapid replenishment of supplies in the face of extreme weather conditions, the new EPA regulations, and the integration of new energy sources into the system require major investments, which sometimes conflicts with the goal of limiting compensation to the companies.

Mexico

– Energy reforms were launched in 2014, with one of the key goals being to reduce system costs in order to lower electricity prices for end users. The reform is ongoing at the corresponding regulatory bodies: the basic legislation is already approved and the various market instruments are being launched.

Brazil

– To cover the high costs incurred by a long drought, "tariff realism" was introduced, meaning that distributors were put back on an even-keel financially through extraordinary tariff revisions and the readjustment of "tariff flags".

– 2015 saw negotiations on hydrological risk (GSF), which led to the enactment of Law 13,203/2015. It allows hydroelectric producers to voluntarily transfer hydrological risk in return for the payment of a premium, gaining access to the extra energy production cost compensation mechanism, called "tariff flags".

As an electricity operator in these countries, Iberdrola will maintain a spirit of cooperation with regulators of the electricity supply systems to help to define their growth and to operate within the established regulations, supporting frameworks that expand free-market activities and market transparency and incentivise required investments and efficient operations through tariff schemes that send efficient signals to consumers and don't penalise them with costs unrelated to the supply of electricity.

Aspect: "Green bonds"

Management Approach

Iberdrola is the first Spanish company to issue "green bonds" in order to diversify its sources of financing. The difference with such bonds is that the issuer undertakes to invest the proceeds in sustainability projects such as: renewable energy, research into more efficient energy sources, cleaner cars, etc. There is also a commitment to regularly report on the return on investment in terms of the sustainability of such projects.

On 24 April 2014, the Company issued a "Green Bond" targeted at SRI (Socially Responsible Investing) investors. The definition of the types of eligible projects for the proceeds can be found in the "Second Party Opinion on Iberdrola's Green Bond", prepared by Vigeo and available at www.iberdrola.com. It is important to note that before companies can issue such financial assets they must have a strong track record on sustainability, as recognised by Vigeo in the case of Iberdrola, as can be seen in the aforementioned document.

The *Green Bond Returns Report* can be found in Annex 3 of this report.

B. Environmental Dimension

The aspects dealt with in this chapter are the following:

Aspects of the GRI-G4 Guidelines

(Those indicators that require additional information per the electric utilities sector supplement are identified with (*))

Materials (*)
Energy
Water (*)
Biodiversity (*)
Emissions (*)
Effluents and waste (*)
Products and services
Compliance
Transport of persons and products
Expenditures and investments
Supplier environmental assessment
Environmental grievance mechanisms

The information reported in this chapter corresponds to the "expanded boundary", as defined in Section G4-17 of this report.

Introduction

In the environmental area, Iberdrola first applies the management elements described in the "General Management Approach" section of this report. It also applies other management elements as described below.

Specific management approach to the environmental dimension

Policies

Iberdrola has four specific corporate policies for environmental management:

– *Sustainability Policy*
– *Environmental Policy*
– *Policy against Climate Change*
– *Biodiversity Policy*

All of them have been approved by the Board of Directors and are available at www.iberdrola.com.

Organisation

Reporting to the senior management of the Group, the organisations responsible for the environment adopt a decentralised structure, based on the subsidiarity principle, such that with the appropriate corporate coordination, all environmental matters are dealt with and resolved by the affected business in each geographic region. The following are available for this purpose:

– The Innovation, Sustainability, and Quality Division, which proposes the management policies, models, and systems, sets environmental guidelines and the targets associated therewith, publicises environmental performance, and coordinates all environmental action of the Company. This Division is within the area of the Office of the Chairman.

– Environmental Divisions at the businesses are responsible for maintaining the environmental management systems, based on the ISO 14000 standard, including compliance with legal obligations, setting environmental goals, making plans for improvement, and generally performing all operational duties relating to the environment within the scope of the business in each region.

Management systems

Iberdrola approaches its environmental dimension in accordance with an Environmental Management Model, the purpose of which is to create a common framework that allows for the coordination of the different environmental management systems of each of the businesses. The main elements making up this model are:

– The corporate environmental policies described above.

– Five environmental guidelines based on which the performance indicators are evaluated:

- Preserve biodiversity
- Prevent pollution
- Achieve operational excellence
- Optimise waste management
- Collaborate with Stakeholders

– Environmental performance indicators, based on GRI methodology and set forth in an environmental scorecard, which allows for an analysis of the environmental performance of the Company and each of its businesses.

– Environmental goals and action plans of the Group.

– Management of environmental risks through identification and preventive management thereof through mitigation and control measures.

– Management of the public information-reporting needs of the Company (*Sustainability Report*, participation in sustainability roadshows, etc.).

– Specific Environmental Management Systems (EMS) of the various businesses, based on the UNE-EN ISO 14001:2004 and EMAS standards.

The application of this management model is reinforced with a series of complementary activities, such as: monitoring of environmental regulation at the regional level; specific training of employees on environmental aspects, dedicating more than 25,500 hours to such training in 2015; a Supplier Tracking and Information Model; the development of an Environmental Risk Management System for the Company; an Incident and Anomaly Reporting System; and a long-standing relationship with the various Stakeholders involved, through various means of communication.

In 2015 Iberdrola's Environmental Management System included a Life-Cycle Analysis (LCA), an innovative element enabling a determination of the environmental impact of its facilities. Following the guidelines set out in the environmental policies approved by the Board of Directors, Iberdrola implemented an environmental footprint calculation model in 2015 to calculate the organisation's environmental footprint based on life-cycle. This model will serve, amongst other functions, as a management element.

Furthermore, it should be pointed out that the data used to calculate the indicators of this report are based on direct measurements, in accordance with the corresponding protocols. In those cases in which it is not possible to perform these measurements, widely recognised international normalisation standards are followed to estimate and calculate the data. It is also important to consider that 81% of the Group's installed capacity is subject to management systems under the UNE-EN ISO 14001 and UNE-EN ISO 9001 standards.

Certifications

All annual certifications were renewed in 2015, including the audit monitoring the certification of the Global Environmental Management System, implemented in Spain in accordance with the UNE-EN ISO 14001:2004 standard. In addition, the scope of this Integrated Environmental Management System was broadened to include sales in Portugal, and the greenhouse gas inventory certificate was renewed in accordance with the UNE ISO 14064-1:2006 standard and was registered for the first time with the Spanish Office of Climate Change *(Oficina Española de Cambio Climático)*. An Integrated Environmental Management System certificate (EMS) certificate was also attained for ScottishPower. Similarly, the Electricity and Gas Supply Department of the distribution networks in the United States affirmed its commitment to the environment through ISO certification, obtaining the "ISO 14001:2004 certification for its project management and engineering activities for the design, construction and start-up electricity and gas transmission and distribution assets and the planning of gas assets".

With these activities, 84% of the Group's energy was produced under certified environmental management systems in 2015. More information is available at www.iberdrola.com.

Aspect: Materials

Management Approach

Electricity generation is a very complex process involving multiple factors and an immense amount of technological activity. Of these multiple factors, the consumption of fuels such as natural gas, coal, etc., and the consumption of chemical products such as oils, lubricants, and coolants are considered to be of particular importance.

Iberdrola continues to pursue a strategy of reducing environmental impact per unit of production (eco-efficiency), using lower-emission technologies to obtain a reduction in the consumption ratios for fuel, energy, water, and other materials per GWh produced. Chemical products are managed in accordance with good management practices, avoiding risks of damage to the natural environment.

Iberdrola maintains a policy of eliminating the presence of polychlorinated biphenyls (PCBs) from its facilities, although there is a residual trace of them in its activities. These potentially harmful substances, used as dielectric and hydraulic fluids and as a heat transfer fluid, have been restricted in most countries since 2010 under international treaties on the management of chemical products that are damaging to the ozone layer.

G4-EN1 Materials used by weight or volume

Use of materials

Fuel consumption is detailed in the following table:

Basic materials	2015	2014	2013
Expanded boundary			
Coal (t)	4,909,742	5,292,521	5,504,487
Fuel (t)	43,130	34,705	35,188
Natural gas (Nm^3)	10,637,371,698	9,819,978,549	8,504,282,590
Gas-oil (m^3)	7,467	54,480	15,221
Uranium (Tep)	6,310,643	6,653,787	6,239,144
Biomass and WDF[17] (t)	1,526	3,357	2,134

Distribution of fuels consumed (%)	Coal	Fuel-oil	Natural Gas	Gas-oil	Uranium	Biomass and WDF[17]
Expanded boundary						
Spain	33.3	100.0	10.8	87.5	100.0	100.0
United Kingdom	66.7	0.0	11.7	11.2	0.0	0.0
United States	0.0	0.0	5.4	0.1	0.0	0.0
Mexico	0.0	0.0	69.5	1.2	0.0	0.0
Brazil	0.0	0.0	2.6	0.0	0.0	0.0
Other countries	0.0	0.0	0.0	0.0	0.0	0.0

17 Waste Derived Fuel (WDF): the Tarragona Power combined cycle plant and some cogeneration plants in Spain can operate with this fuel.

Net generation by technology and country (GWh)	Spain	United Kingdom	United States	Mexico	Brazil	Other countries
Expanded boundary						
Combined cycles	2,288	6,333	11	36,559	1,554	0
Renewables	11,896	3,710	14,261	738	645	1,561
Nuclear	23,142	0	0	0	0	0
Coal	3,642	7,879	0	0	0	0
Hydroelectric	12,366	708	366	0	2,422	0
Cogeneration	2,179	4	2,780	1,569	180	0
Biomass and WDF	0	0	0	0	0	0

As shown in the following table, 88% of the expanded boundary is achieved using local sources of energy, available in the country where the electricity is generated.

Production with local sources of energy	(%)
Expanded boundary	
Spain[18]	87
United Kingdom	72
United States	84
Mexico	100
Brazil	78
Other countries	100

There is also consumption (on a much smaller scale) of chemical products, which are used in the generation processes, mainly in tasks consisting of the purification of gases and effluents and the reconditioning of equipment. The consumption of these types of products and others such as oil and grease for maintenance can be viewed at www.iberdrola.com.

18 Nuclear fuel acquired from the Spanish company Enusa is considered local.

Elimination of PCBs

Polychlorinated biphenyls (PCBs) are substances that are not produced by the Company's activity, but rather were sold during the last century by manufacturers of electrical equipment and used mainly in transformers and condensers due to their optimal characteristics as a dielectric insulation. There are PCBs at the Group's facilities in Brazil, with a residual presence in Spain and the United States, mainly within transformers with pure pyralene oil, condenser batteries, and auxiliary service transformers.

In Spain, the process that commenced in 1999 to eliminate all equipment manufactured with PCBs fluids or contaminated with a concentration exceeding 500 ppm of PCBs has concluded. There is currently no pyralene transformer or transformer contaminated with more than 500 ppm of PCBs. Although the period set by law for the elimination thereof ended in 2010, Iberdrola maintains a service for the analysis, removal, and elimination of equipment containing PCBs, including the performance of a free diagnosis with no commitment.

There are also no transformers in the United States that contain PCBs.

At the Elektro subsidiary in Brazil, 67 t of pyralene- and PCB-contaminated equipment was managed during 2015, and there are 543 t to be eliminated in the coming years. Only 1.10% of the transformers in operation contain these substances.

G4-EN2 Percentage of materials used that are recycled input materials

There is no substitute in the market for the principal materials used by Iberdrola, for which reason management focuses on the efficient use of energy, water, and chemical products, through the best available technologies and optimising the current systems.

At some Mexican plants and at the Klamath plant in the United States, treated waste water is reused in their cooling systems, avoiding the use of river or dam water, while at the same time engaging in activities to improve the efficient use of energy, as described in indicator G4-EN6.

Biomass and waste derived fuel (WDF) are included as recovered material, and 0.01% of the fuel consumed during the year is of this type, as reflected in indicator G4-EN3.

Aspect: Energy

Management Approach

Iberdrola takes action and works throughout the entire energy chain in order to optimise the use of energy:

– Efficiency in production: introducing the newest and most advanced equipment and technology.

– Efficiency in transmission and distribution: making substantial investments to reduce losses in grids.

– Efficiency at the final point of use: adopting measures to reduce consumption within the Company's own facilities and promoting the rational use of energy by users, who are also offered a wide range of products and services linked to energy conservation.

This information is expanded upon in indicators G4-EN3 to G4-EN7.

G4-EN3 Energy consumption within the organisation

Internal energy consumption, which includes all of the Iberdrola Group's facilities, buildings and offices, is calculated by adding together the following items:

– consumption of fuels from non-renewable and renewable (biofuel and biomass) sources

– total consumption of electricity and other fuels for heating purchased from third parties at buildings/offices

– consumption of electricity purchased from third parties at generating facilities

and subtracting:

– steam sold to third parties

The following table shows the evolution of Iberdrola's internal energy consumption in recent years:

Internal energy consumption (GJ)	2015	2014[19]	2013[20]
Spain	357,540,932	347,863,603	347,156,252
United Kingdom	147,492,630	150,176,505	164,069,056
United States	21,906,700	18,639,171	22,753,513
Mexico	260,491,163	269,059,484	252,754,800
Brazil	9,155,754	12,240,519	11,488,669
Other countries	15,667	18,004	20,319
Expanded boundary	796,602,846	797,997,286	798,241,608

The bulk of Iberdrola's energy consumption is fuel consumption. The following table shows this consumption in recent years:

Fuel consumption (GJ)	2015	2014	2013
Expanded boundary			
Generating plants	732,204,413	735,649,366	726,388,577
Cogeneration	61,848,919	56,051,306	64,146,582
Non-generating	1,320,240	1,527,726	3,471,219
Total	795,373,571	793,228,398	794,006,378

The "non-generating" facilities in the above table are: Daldowie (thermal drying) and Hatfield (gas storage) in the United Kingdom, and the Enstor plants (gas storage and distribution) in the United States.

19 Data for the United States and Spain for 2014 have changed compared to previous reporting due to revision and update.
20 Data for the United States and Brazil for 2013 have changed compared to previous reporting due to revision and update.

Fuel consumption by primary source (%)

Fuel consumption by primary source (%)	2015	2014	2013
Expanded boundary			
Natural Gas	49.63	47.17	48.54
Uranium	34.08	35.88	34.40
Coal	16.03	16.74	16.84
Fuel-oil	0.22	0.17	0.18
Gas-oil	0.03	0.03	0.03
Biomass/WDF	0.01	0.01	0.01

Fuel consumption at the generation plants (combined cycle, conventional thermal, nuclear, cogeneration, and biomass) and at the non-generation plants indicated above is taken into account.

Internal consumption for generation (GJ)

The electricity used for internal consumption (total consumption of energy generated internally and imported from the grid) at the production facilities (conventional thermal, combined cycle, cogeneration, nuclear, renewable, and biomass, together with the energy used for pumping at the hydroelectric stations), is shown in the following table:

Internal consumption for generation (GJ)	2015	2014[21]	2013[22]
Expanded boundary			
Generating plants	11,073,640	10,644,748	9,119,792
Cogeneration	728,545	1,378,411	839,846
Hydroelectric generation	11,994,794	13,591,463	16,547,527
Renewables	567,489	513,286	525,260
Non-generating plants	88,056	86,112	86,908
Total	24,452,524	26,211,751	27,119,333

21 Cogeneration and Renewables data for 2014 have changed compared to previous reporting due to revision and update.
22 Renewables data for 2013 have changed compared to previous reporting due to revision and update.

Energy consumption in buildings

Energy consumption in buildings (MWh)[23]	2015	2014[24]	2013
Expanded boundary	192,691	176,400	182,604

Despite the increase in the consumption of energy in buildings, the systems for monitoring and managing the consumption of energy in buildings continued to be improved during 2015, especially in Spain, the United Kingdom, and the United States, as described in indicator G4-EN6.

G4-EN4 Energy consumption outside of the organisation

The most significant consumption of energy outside of the organisation is consumption associated with the transport of: fuel, employees (both for business as well as from their home to their workplace), and products by suppliers, for which there is information regarding the distances covered and the amounts of fuel transported. Work is currently being performed to obtain appropriate conversion factors to determine the energy consumption corresponding to this indicator in units of energy. The data on CO_2 emissions caused by these activities are reflected in indicator G4-EN17.

G4-EN5 Energy intensity

Fossil fuel consumption (tep/GWh)

The following table shows fuel consumption at the thermal generation plants over the net production of such plants.

Fossil fuel consumption (tep/GWh)[25]	2015	2014	2013
Expanded boundary	192	202	200

Internal Energy Consumption (GJ/MWh)

The following table shows total internal energy consumption within the total net production of the Group.

Intensity of internal energy consumption (GJ/MWh)	2015	2014	2013
Expanded boundary	5.82	5.74	5.85

23 Conversion factors used for gas-oil: Density: 855 kg/m^3 and PCI: 42.4 GJ/t.
24 The data for 2014 have changed compared to previous reporting due to revision and update.
25 Conversion factor used: 1GJ = 0.023888889 Tep.

G4-EN6 Reduction of energy consumption

Consumption equivalent to 188,078,526 GJ/year in non-renewable primary energy was avoided in 2015 through the generation of renewable energy, including hydroelectric energy, and the supply of steam to industrial customers.

Areas		Actions and initiatives	Energy (GJ/year)		
			2015	2014	2013
Expanded boundary					
Renewables		Primary energy savings through the production of renewable energy	118,121,437	121,902,948	122,035,536
Hydroelectric		Primary energy savings through hydroelectric generation	57,101,281	74,818,080	65,843,402
Cogeneration		Savings through the supply of heat energy (steam) within the Group	12,855,808	11,568,240	13,784,634
Network efficiency		Savings from network efficiency in Spain, United Kingdom, and Brazil	1,748,013	1,888,426	2,300,423
Retail	Spain	Green energy supplied	1,070,482	1,416,306	1,736,472
	United States	Green energy supplied	221,222	235,055	246,005
	Brazil[26]	Green energy supplied	39,643,801	35,889,974	22,430,087

Efficiency of the energy power grid

The electricity losses of the transmission and distribution networks of the Iberdrola Group are shown in indicator EU12 of this report. The Company takes extensive measures to control or reduce such losses, including:

– Updates and modifications to reduce the length of lines through construction of new substations and increases in the power of existing substations, increases in voltage and improvement of power factor, implementation of remote management, and maintenance work.

– Improvements in contract management and supply point inspections: replacement of electromechanical meters with electronic meters, inspection of facilities and regulation of customers and clandestine connections.

– Increase in first-level reviews and strengthening of field activities with supply point inspections to reduce administrative and non-technical losses.

Efficiency in thermal generation

The Company continues to take other actions at various plants in order to avoid leaks, reduce internal consumption, optimise start-up time and procedure, and install recirculation systems, among other issues.

In this regard, various actions taken in Spain should be highlighted: at the Escombreras combined cycle plant, redesign of processes enabled approximately 7,300 GJ to be saved; at the Tarragona combined cycle plant, implementation of a water utilisation and recirculation system enabled 2,275 GJ to be saved;

26 Brazil is included in this report due to improvements in the data collection process.

and at the Castejón combined cycle plant, 473 GJ were saved through reduction of internal consumption in dehumidifiers.

Efficiency at buildings

Iberdrola continues to implement energy efficiency measures at the buildings and offices of the Company all over the world. Work is thus continuing to improve acclimatisation (heating and air conditioning) performance, thermal insulation and the lighting of buildings, as well as automation of the facilities associated therewith.

In Spain 2,191 GJ of energy was saved through reduction in the operating time of lights and replacement of lights with LED technology, in addition to installation of photovoltaic panels to power electric vehicle chargers. At Iberdrola Renewables in the United States, there is continued monitoring of the turning on and off of lights at night and replacement with more efficient lighting. In the United Kingdom a new and more efficient corporate building is being built, energy audits are performed, and awareness campaigns have been conducted with a view to reducing consumption, for instance by turning off computer monitors at night. At the offices in Brazil, a reduction in consumption was achieved by conducting internal energy efficiency awareness campaigns, replacing lights with other more efficient ones and placing lights on timers.

G4-EN7 Reductions in energy requirements of products and services

Efficient products and services

Iberdrola fosters eco-efficiency (reduction of the environmental impact per unit produced), gradually reducing the environmental impact of its activities, facilities, products, and services. It also offers, promotes, and researches eco-efficient solutions for its market and its customers.

In addition to electricity and gas, Iberdrola sells a wide range of products and services that favour efficiency, energy savings, and care for the environment.

Energy savings of green products and services (GJ)	2015	2014	2013
Expanded boundary			
Photovoltaic solar energy	289	662,400	668
Energy audits and plans	114,084	48,870	103,068
Gas maintenance service[27]	798,102	776,160	0
Other savings and efficiency activities	419,365	3,417,332	226,838
Total	1,331,840	4,904,762	381,470

27 "Gas maintenance service" data is added in the table from the Sustainability Report for the prior year. Data are available beginning in 2014 and there is a separation of the amount for the item "Other savings and efficiency activities".

The green products and services highlighted in this table are described below:

– Photovoltaic solar energy: This category includes photovoltaic solutions for customers and third parties. The commitment to and support for renewable energies is reflected by the launch in 2015 of the Smart Solar product, a comprehensive bundle of services that includes the design, assembly, and start-up of a completely customised phpotovoltaic solar facility, in addition to financing, consulting, comprehensive maintenance, management, and supervision of the plant via web tools and applications. 64.32 kW was installed with this new product in 2015. This capacity, multiplied by the factor applied by IDAE (1,250 hours/year), results in 80.4 MWh/year of estimated production (289 GJ/year), which would not have to be consumed from the conventional electrical grid. The savings reduction in the photovoltaic solar energy item compared to the previous year is due to the fact that no large photovoltaic plants were delivered to third parties in 2015, as occurred in 2014.

– Audits and energy plans: The potential energy savings from audits and energy plans is due to Iberdrola Retail. In Spain, among others, Iberdrola has carried out energy consulting campaigns for members of the Spanish Federation of Food and Beverage Industries (*Federación Española de Industrias de la Alimentación y Bebidas*), it has participated in tenders relating to energy efficiency for government administrations, and has performed energy audits for industrial customers and energy studies for gas solution offerings. In Portugal, there have been 50 audits under the Consumption Efficiency Promotion Plan (*Plano de Promoção da Eficiência no Consumo de Energia Eléctrica*) (PPEC), in addition to collaboration with local social support institutions and associations in conducting awareness and education campaigns about energy efficiency.

– Gas maintenance service: The contract for this service offered by Iberdrola in Spain allows customers to cut energy consumption by annual cleaning and adjustment of gas boilers.

– Other savings and efficiency actions: This section includes several products and services, like participation in European innovation projects such as Grid4EU on smart grids, the sale of an integral energy service to supply useful heat, encouraging the replacement of individual gas boilers with other more efficient ones, participation in a capacitor bank installation campaign, installation of food temperature simulation devices (eCube) to reduce energy consumption by companies in the food industry, construction of wind facilities for third parties, and studies and implementation of efficient and intelligent lighting systems, among others. The decrease in this section compared to the previous year is due mainly to the decrease in the number of wind farms delivered to third parties in 2015.

In addition to the above, Iberdrola uses various means to encourage and promote energy efficiency, such as advertising campaigns, collaboration agreements with consumer associations, businesses, and governments, and initiatives such as *Just2Challenge* (www.just2challenge.com) to raise awareness about global warming. Iberdrola also contributes to the care of the environment with:

– Management of waste.

– Requiring suppliers to comply with environmental laws.

– Services for small photovoltaic energy producers, smart homes with remote heating control, promotion of electronic billing as an ecological alternative to the use of paper, awareness-raising campaigns, promotions, customer apps, etc.

More information about these and other initiatives is available at:
Spain:
www.iberdrola.es/clientes/index
Brazil:
www.elektro.com.br
United Kingdom:
www.scottishpower.co.uk/
United States:
NYSEG: www.nyseg.com/Energyefficiencyprograms/default.html
RG&E: www.rge.com/Energyefficiencyprograms/default.html
CMP: www.cmpco.com
Portugal:
www.iberdrola.pt/02sicb/corporativa/iberdrola/casa

Sustainable mobility

The Company's *Mobility Plan* was drawn up in 2015 and the commitment to development and implementation of the electric mobility concept continued, through initiatives such as:

– Comprehensive zero-emission mobility solution combining *Electric Vehicle*, *Iberdrola Green Charge* and *Iberdrola Green Energy*.

– Support for the development of electric vehicles, with active participation in forums, standardisation groups, and RD&I projects associated with electric mobility.

– Agreements and alliances with various vehicle manufacturers and suppliers.

– Sponsorship of the *Sustainable Mobility Guide for Responsible Companies* (*Guía de Movilidad Sostenible para la Empresa Responsable*).

– CO_2 Calculator for trips.

Iberdrola's commitment to sustainable mobility was recognised with an award in 2015 at the *5th European Mobility Week Awards*, which is given by the Spanish Ministry of Agriculture, Food and Environment.

Aspect: Water

Management Approach

Water is an essential natural resource for Iberdrola, as it plays a very important role in many of the activities that it carries out. The Company's awareness of the risks arising from water shortages have led it to set itself the objective of ensuring an increasingly rational and sustainable use of this resource, as described in the Group's *Sustainability Policy*.

Thus, from an operational viewpoint, Iberdrola seeks the most suitable method to avoid significant impacts, and establishes –together with the various government administrations– several measures aimed at ensuring a more sustainable use of water. Some of the most representative measures in this area include:

– Limiting the volume of withdrawal and consumption of inland water in all technologies.

– Establishing and controlling surface level limits and ecological flows at the hydroelectric generation reservoirs.

– Continually improving processes at facilities to reduce consumption and impact.

– Avoiding withdrawal of water in water-stressed areas.

– Reusing and recycling water at facilities.

– Conducting awareness-raising campaigns to achieve a more efficient and responsible use of sanitary water by employees at offices and control buildings.

Iberdrola remains committed to the replacement of less efficient technologies (conventional thermal generation –coal and fuel-oil–) with renewables and combined cycles, which has led to a reduction in water consumption per GWh produced. The intensity of water consumed (calculated as consumption over sales) within the Group in 2015 was 70% lower than that of other utilities.[28]

28 http://www.iberdrola.es/webibd/gc/prod/es/doc/AguaUtilities.pdf

G4-EN8 Total water withdrawal by source

In this indicator, various tables show the use made of water in each of the processes of the various technologies and facilities, as well as the sources thereof.

Water use in thermal generation

Cooling, process, and auxiliary service systems at the Group's thermal plants are those that require the largest withdrawal of water for their operation. This resource is obtained mainly from surface water, seawater, or estuaries. Part of it is returned to the environment as evaporated water, and the rest is returned in discharges from the facilities.

The following table shows the withdrawal and total discharge of water at the thermal generation facilities (coal, combined cycle, nuclear, and cogeneration) in 2015, and the volume used in each part of the system.

Water use (hm^3)	Withdrawal		Discharge		
	Total withdrawal	Withdrawal process and auxiliary services	Withdrawal for cooling	Evaporation of water in cooling	Discharge into receptor environment
Total thermal generation[29]	2,665.28	1,360.12	1,305.16	82.31	2,595.60

The water withdrawn for cooling thermal plants may be inland water or seawater. In turn, cooling can be performed in a closed circuit, by a cooling tower where part of the withdrawn water is evaporated, or in an open circuit, fully returning the withdrawn water to the receiving environment, without any process that could modify the physicochemical nature of the water other than a slight temperature increase due to its use in the cooling process. As can be seen in the following table, most of the withdrawn water is seawater or salt water.

Source of withdrawal of cooling water	Gross water withdrawal (hm^3)[30]	Net water withdrawal (hm^3)[31]
Expanded boundary		
Sea and salt water	589.79	10.78
Rivers and groundwater	304.06	18.28
Lakes and reservoirs	401.52	45.21
Purification of waste water	9.79	8.04
Total	1,305.16	82.31

29 The total discharge figure includes the return from cooling, the return of water used in processes, and rainwater collected at some thermal facilities without an independent storm sewer system.
30 Gross water withdrawal: total volume of gross water withdrawal for cooling.
31 Net water withdrawal: volume of water evaporated in cooling.

Water consumption at offices and control facilities

Water consumption at offices and facilities (m^3)	2015	2014[32]	2013
Expanded boundary [33]	418,175	368,092	445,022

The difference between the 2015 data and the 2014 data is mainly due to an improvement in the information collection process, recording consumption that was not taken into account in previous years. Amounts can be viewed with a breakdown by country in the *Information Supplementary to the Sustainability Report 2015*.

Water use

In addition to the water withdrawn in the thermal generation and cogeneration facilities, water is also used in wind generation systems and at offices, although to a lesser extent. The following table provides an overview of the volume withdrawn, broken down by withdrawal source.

Source of gross water withdrawal (m^3)	2015	2014	2013
Expanded boundary			
Surface water (sea, rivers, lakes, reservoirs, wetlands)	2,646,059,227	2,725,254,208	3,044,885,843
Groundwater	1,033,231	957,770	1,395,523
Rainwater directly withdrawn and stored	0	1,047	0
Purified waste water	12,237,423	12,294,178	12,737,246
Municipal water supply or supply from other water companies	6,700,330	6,036,976	6,857,370
Total	2,666,030,211	2,744,544,180	3,065,875,982

Use of water is defined as water withdrawn minus water discharged (G4-EN22) into the environment (seawater or salt water are included in water discharged).

Water use[34]	2015	2014	2013
Expanded boundary			
Total water use (hm^3)	72.88	70.69	133.12
Water use/overall production (m^3/GWh)	532.79	508.98	976.00
Water use/overall sales (m^3/$)	1.68	1.95	3.11
Water use/overall sales (m^3/€)	2.32	2.35	4.28

32 The data for 2014 have changed compared to previous reporting due to revision and update.
33 In Spain, includes offices, substations and control buildings of wind farms.
34 Does not include thermal generation in the United Kingdom.

Water cycle in hydroelectric generation[35]

Water used for hydroelectric generation is not considered withdrawn and thus it is shown in a separate table. The table below shows net water used in hydroelectric generation in Spain, the United Kingdom, and Brazil, defined as turbined water less pumped water.

Water use in hydroelectric generation (hm^3)	2015	2014	2013
Expanded boundary			
Net water use	71,272	88,223	96,816
Volume of pumped water	2,741	3,520	4,350
Annual increase of reservoir water	-2,146	1,032	2,395

Net hydroelectric production (GWh)	2015	2014	2013
Expanded boundary	15.861,46	20.635,71	17.284,00

The biggest difference compared to 2014 is that 2015 was a year with very little precipitation. Additional information, such as withdrawal locations and discharges from the thermal facilities, can be found at www.iberdrola.com.

G4-EN9 Water sources significantly affected by withdrawal of water

No situations that significantly affect water resources or habitats have been recorded in relation to water withdrawal points. As can be seen in indicator G4-EN8, 74% of the water withdrawn is seawater or salt water and does not occur in protected areas.

At the La Laguna and Monterrey combined cycle plants (Mexico), at the Klamath cogeneration plant (United States), and at some cogeneration plants in Spain, the water withdrawn for cooling comes from municipal wastewater treatment stations and is treated at the Company's plants, producing a positive impact by returning water to the environment that is of higher quality than that withdrawn.

All water collection is strictly regulated by government authorities, which assign permits and determine the maximum permissible volumes of collection to ensure that there are no significant impacts.

The Iberdrola Group does not have any plants located in areas considered to have water stress. These areas can be seen on the following websites:

www.fao.org/nr/water/aquastat/data/query/results.html

www.grida.no/publications/other/ipcc_tar/?src=/climate/ipcc_tar/wg2/180.htm

Finally, it is important to note that gross water collection in 2015 was 3% lower than in 2014.

35 Hydroelectric generation in the United States, which is 1.15% of installed hydro capacity, is not included (information unavailable). Hydroelectric generation in Brazil in which the Company has an interest is included for 2014.

G4-EN10 Percentage and total volume of water recycled and reused

97% of the water withdrawn at thermal generation and cogeneration facilities was returned to the receiving environment in a physicochemical condition allowing it to be utilised by other users without affecting the natural environment. 3% of the water withdrawn was consumed and/or retained in the various processes, or was returned to the environment in the form of steam generated in the cooling systems of the thermal power plants.

With respect to cogeneration and the Tarragona Power combined cycle plant, part of the withdrawn water is reused as steam, supplying thermal energy equal to 3,571.07 GWh, which is used in industrial processes or heating systems.

The reuse of wastewater for the cooling systems of some plants in Mexico (Monterrey, La Laguna) and in the United States (Klamath) is also noteworthy. In the case of the La Laguna plant, all water withdrawn is wastewater, which is filtered at the facility. Furthermore, at the Klamath plant in the United States, 93% of the water used for all processes was treated wastewater.

At the thermal plants with closed or semi-open cooling systems, water withdrawn is reused in the cooling towers an average of approximately three cycles per m^3 before being purged. Reuse is therefore estimated to have been 2,147 hm^3.

In addition, at some of ScottishPower's wind farms the control buildings have rooftop rainwater collectors and storage tanks to use the water.

Aspect: Biodiversity

Management Approach

Not only are the Earth's natural resources essential for the development of biodiversity, they are also fundamental for humanity's economic and social progress. There is thus an inevitable direct and indirect interaction between the Group's activities and biodiversity. Activities associated with generation, distribution, and supply gives rise to interactions with various ecosystems, landscapes, and species throughout the life-cycle. These are thus one of the main focuses of the Group's business strategy, and are managed through four priority lines of action:

– Mediation, for the protection, conservation, and sustainable use of the environment (air, water, soil, fauna, flora, and landscape).

– Information, through impact assessment and the development and application of guidelines on biodiversity for new projects.

– Stakeholder relations.

– Commitment to train, raise awareness, and communicate both internally and externally.

Various instruments are used to implement these actions, such as:

– *Biodiversity Policy*: applicable in all of the geographic areas in which Iberdrola does business, the basic principles of which are reflected in the lines of action.

– Biodiversity plans based on avoiding and/or mitigating impact, restoring natural capital, assessing impact, Stakeholder relations, and awareness-raising.

– Implementation of environmental management systems that comply with ISO 14001 or EMAS standards, in order to prevent and control environmental risks.

– Development of a corporate environmental footprint enabling limitation of the Group's impact on biodiversity.

– Strict compliance with environmental permits granted by regulatory authorities.

– Consultation with Stakeholders prior to preparing a project pipeline, incorporating good practices and identifying corrective measures to avoid, mitigate, or offset any potential impacts.

– Fostering of species and habitats through positive conservation management and research of sites within an extensive environment. Activities, both mandatory and voluntary, are aimed at achieving a positive net balance with respect to the environment.

For more information, see www.iberdrola.com and the biodiversity reports, which outline the management approach, strategies, and progress in the activities conducted by the various businesses and regions in which Iberdrola has a presence.

G4-EN11 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

Within the activities of the Group, the infrastructure occupying the largest part of the territory are dams, electrical power lines, and wind farms.

In total, the presence of the Group's dams in protected areas represents 1.66% (18,972 ha) of the surface area thereof. The number of power lines in protected areas in Spain is growing by the year; this is because new protected areas have been designated –3 SCIs and 2 SACs– where there were already existing lines.

Facility	Location with respect to protected area	Affected surface area/length	Type of protection[36]
Expanded boundary			
Spain			
Reservoirs	Inside	18,972 ha	Biosphere reserves, Ramsar wetlands, Nature 2000 Network, national parks, and nature parks.
Power lines	Inside	18,869 km (7%)	Nature 2000 Network, Ramsar wetlands, national parks, and Biosphere Reserves.
Substations	Inside	157 facilities (17% of the total)	Nature 2000 Network.
Transformer centres	Inside	8,428 centres (9% of total centres)	Nature 2000 Network.
Wind farms	Inside	139.14 ha	Nature 2000 Network (presence not significant with respect to the total, and farms always pre-date declarations of protected space. There are also some mini-hydro plants).
United Kingdom			
Thermal and hydroelectric generating facilities	Inside or nearby	3,264 ha (12 production centres)	Ramsar Wetlands, SPA, SAC, and SSSI.
Power lines	Inside	4,261 km (4%)	NSA, SPA, SAC, Ramsar, NNR, SSSI.
Substations and transformer centres	Inside	8,898 facilities (8.1% of all centres)	NSA, SPA, SAC, Ramsar, NNR, SSSI.
Wind farms	Adjacent	3 ha	Nature 2000 Network and SAC, SSSI.
Wind farms	Partially inside	8,219.26 ha	Nature 2000 Network and SAC, SSSI.
United States			
Power lines	Partially inside	402 km (7%)	Protected areas designated by each state, which may be Biosphere Reserves, forests, national parks, or national wildlife refuges, and those with high ecological value even though they may not have the same level of protection.
Brasil			
Power lines	Inside	1,952.89 Km	Environmental protection areas.
Transformer centres	Inside	4,441 centres (3% of all centres)	Environmental protection areas.
Hydroelectric plants[37]	Inside or nearby	240 ha	Areas protected by Brazilian law.
Greece			
Wind farms	Inside	61.37 ha	Nature 2000 Network.
Hungary			
Wind farms	Inside or nearby	2 wind farms	Near Nature 2000 Network areas, one inside a national park.

Iberdrola provides further information broken down by geographic area at www.iberdrola.com.

36 Names of principal protected areas:
SPA: Special Protection Area for birds, pursuant to the EC Birds Directive.
SCI: Site of Community Importance, pursuant to the EC Habitats Directive.
SAC: Special Area of Conservation, pursuant to the EC Habitats Directive.
Ramsar: Wetlands of international importance, pursuant to the treaty signed in Ramsar.
SSSI: Site of Special Scientific Interest (UK).
NSA: National Scenic Areas (UK).
NNR: National Nature Reserve (UK).
37 There is a substantial change in the data compared to previous years due to differences in the interpretation of the information.

G4-EN12 Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value.

Before a facility is built, the potential environmental impact is analysed through a forecast and assessment, with a view to avoiding placing new infrastructure in protected areas or areas with a high biodiversity value, even if they are not officially protected. If significant impacts are identified in the initial study, the project is modified to the extent possible, and the best available techniques and any measures identified as necessary are employed to correct and minimise these impacts. Where full mitigation is not possible, remedial measures are implemented. Control of environmental impacts does not end upon completion of the facility, but rather continues during the operation and decommissioning phases thereof.

100% of the projects that so require are assessed for environmental impact and are submitted to public consultations; the Company works with Stakeholders to ensure that the environmental impact is as low as possible. Some examples can be viewed at the following links:

www.iberdroladistribucionelectrica.com

www.spenergynetworks.com/pages/community_consultation.asp

www.scottishpowerrenewables.com/pages/developing_renewable_energy_responsibly.asp

www.mainepower.com/community-relations.htm

Impacts arise due to interactions that occur during the different phases of a facility's life-cycle:

Impacts in each phase of a facility's life-cycle	
Construction phase	Insertion of vehicles and machinery.
	Opening of pathways and changes in vegetation.
	Prolonged human presence (which temporarily affects the behaviour of species of fauna, and is generally reversible).
	Changes in landscape.
Operation phase	Emissions.
	Changes in the natural system of rivers and barrier effect of hydroelectric developments (affecting the ecosystems and habitat of certain species).
	Animal mortality due to collisions and electrocution.
	Changes in vegetation to maintain power line corridors, etc.
	Discharges and spills.
Decommissioning phase	Use of machinery and vehicles to remove and demolish existing facilities.
	Prolonged human presence (which temporarily affects the behaviour of species of fauna, and is generally reversible).

With a view to these impacts, we can single out a number of significant potential effects on biodiversity, arising from the activities, products and services of the Group:

General impact			
	Loss of habitat	**Greenhouse gas emissions**	**Pollution of environment**
Impact on avifauna	Electrocutions.		
	Collisions.		
Impact on terrestrial fauna	Electrocution, trapping, etc.		
Impact on ichthyofauna	Changes in water quality.		
	Discharges/spills into hydrological environment.		
Impact on flora	Production and spreading of fires.		
	Deterioration in the edaphic environment.		

Biodiversity Plans have been drawn up to avoid or mitigate these impacts:

Biodiversity plans		
Base Line Plan	Environmental understanding sub-plan	
	Communication sub-plan	
Main plans	Reduction of direct impacts on biodiversity	Direct fauna protection plan
		Direct flora protection plan
		Habitat improvement plan
	Reduction of indirect impacts on biodiversity	Edaphic environment management plan
		Hydrological environment management plan
		Specific biodiversity management plans

EU13 Biodiversity of offset habitats compared to the biodiversity of the affected areas

Occasionally, the construction of new facilities causes residual impacts. The solution is to offset the impact by restoring and recovering the affected areas or those adjacent thereto, in order to improve their state of conservation, the biodiversity of their species, and their habitats.

Country	Location or Associated Technology	Actions	Offset
United Kingdom	Damhead Creek (combined cycle)	Development of 32 ha in the area of the plant.	Improvement of the state of wetlands, coastal grasslands and areas with forests and shrubbery.
		Maintenance of a drainage ditch known as the Berry Wiggins Drain.	Creation of a suitable habitat for the water vole.
	Galloway (hydroelectric)	Study of habitat and of the movement of ichthyofauna along the river.	Elimination of potential obstacles to promote, among other benefits, the migration of Atlantic salmon.
		Work carried out to control colonies of signal crayfish (*Pacifastacus leniusculus*), a species capable of displacing indigenous species.	Fostering of the presence of the indigenous eel.
	Cruachan (pumping)	Study of habitat and of fauna via installation of photo-trap cameras. Special surveillance of the pine marten (*Martes martes*).	Discovery of the environment and spreading knowledge to the local population, collaboration with NGOs.
	Musselburgh Ash Lagoons	Study of habitat and associated biodiversity, with a special focus on invertebrates, particularly flies, spiders and beetles.	Ensuring subsequent restoration appropriate for the environment.
	Wind farms	Implementation of Habitat Management Plans in adjacent areas (more than 8,000 ha so far).	Improvement of adjacent habitats.
United States	Power lines and substations	Improvements to power lines.	Minimisation of the impact on the nesting and reproductive processes of the osprey.
		Identification of habitats (under the lines) suitable for the New England cottontail *(Sylvilagus transitionalis)*. Work carried out in collaboration with the US Fish and Wildlife Service.	Promotion of the recovery of this species in decline.
	Wind farms	Monitoring and maintenance of habitats (grasslands, meadows, forests, wetlands, deserts, etc.) inside and in the surrounding area.	Improvement of adjacent habitats and protection of associated fauna.
Brazil	Bahia PCH (hydroelectric)	Reforestation of 53.7 ha with indigenous species, achieving a space with a high ecological value.	Increased ecological value for degraded areas.
	Rio PCH (hydroelectric	Reforestation of 75 ha through planting of 118,000 indigenous trees to recover an area degraded by livestock.	
	PCH Pirapetinga (hydroelectric)	Restoration of 25 ha in 2015 through planting of 26,000 indigenous seedlings.	
	Power lines	Planting of native species in the corridor of the lines, totalling 65 ha, which equated to 108,000 seedlings.	

Iberdrola provides further information at www.iberdrola.com.

G4-EN13 Habitats protected or restored

Iberdrola's awareness of the importance of biodiversity means that its activities are not only limited to restoration work in the areas affected by the facilities, but that plans for prevention, habitat protection, and mitigation of damage are also of great importance, which means that prior awareness of the environment is just as important as the implementation of suitable subsequent actions. Depending on the needs of each project, Iberdrola performs various tasks during its life-cycle, such as:

– Flora and fauna monitoring (especially of protected or vulnerable species).
– Forest treatments.
– Forestry restoration with indigenous plants.
– Landscape integration and accommodation, etc.

Various actions performed in key countries in which the Group operates are outlined below:

Spain

Associated technology	Actions	Objectives
Power lines	Performance of 36 environmental actions, before and during the construction of substations and power lines (restoration and accommodation of terrain, protection of vegetation, avifauna and the landscape, control of invasive species, training on fires and spills, etc.).	Reduce impact on biodiversity and ecosystem services.
	Performance of 802 preventive actions to protect fauna (modification and improvement of supporting services).	Reduce impact on fauna.
	Performance of 1,663 actions to improve the network to protect vegetation.	Reduce impact on flora.
	Management of 25 km^2 of vegetation-covered surface to reduce the risk of fire at facilities.	
Hydro plants	Limnological control of the most eutrophicated reservoirs in the Douro and Tagus basins (pollutant loads caused by agents unrelated to Iberdrola that travel along these rivers before they flow into the reservoirs).	Prevent potential impacts on fauna located downriver of reservoirs.
	Ensure turbined waters contain the minimum amounts of dissolved oxygen essential for aquatic life.	Avoid levels that are harmful to ichthyofauna.

United Kingdom

Associated technology	Actions	Objectives
Thermal generation and gas storage	Implementation of Biodiversity Action Plans (BAPs) at each facility (more information is available at www.spenergywholesale.com / www.iberdrola.com).	Recover and promote regeneration of natural habitats and of the flora and fauna characteristic of facilities' environments.
Wind farms	Recovery of 32.5 km^2 of different habitats, included in the Habitat Management Plan, through a total of 82 actions.	Recover and improve terrain affected by construction activities.
"Wrexham Industrial Estate Living Landscape" project	Reforestation of 300 metres of indigenous vegetation to improve connectivity between forests.	Improve the habitat, fostering indigenous species, and raise social awareness of the area's rich biodiversity.
	Creation of a suitable space for the survival of the *Dingy Skippe* butterfly via establishment of appropriate vegetation cover.	
	Installation of nest boxes for woodpeckers, bats, and owls with the assistance of volunteers, and monitoring thereof.	

United States

Associated technology	Actions	Objectives
Power lines	Water treatments in collaboration with land owners in two river basins, treating runoff from impermeable areas in the basins prior to its entry into the river.	Improve water quality and improve the aquatic habitat of the riverbank.
Wind farms	Development of management plans and monitoring of the Leaning Juniper IIA/IIB wind farm.	Recover natural habitats and foster their regeneration, and avoid the displacement of indigenous species through 161 actions.
	Restoration of a wetland near the Hoosac wind farm.	
	Development of management plans and monitoring of the Klondike III plant; an invasive herbaceous species is currently being eliminated.	

Brazil

Associated technology	Actions	Objectives
Hydro plants	Reforestation of affected areas.	Ensure the success of programmes to recover and offset impact on Permanent Conservation Areas (APPs) and degraded areas (quarries, tips).
	Continuation of environmental biodiversity conservation programmes based on the impacts of plant operation: monitoring of fauna (ichthyofauna, herpetofauna, avifauna, mammalian fauna, entomofauna, etc.); monitoring of flora in reforested areas; water quality control; monitoring of erosive processes, etc.	

Mexico

Associated technology	Actions	Objectives
Wind farms	Follow-up of reforesting carried out during construction of the La Ventosa wind farm.	Ensure the success of reforesting work.
	Paperwork is underway for reforestation of an area covering approximately 19 ha in the area of the La Venta III wind farm.	Improve the habitat.
	Paperwork is underway for reforestation of an area covering approximately 25.5 ha in the area of the La Venta III line.	

Finally, in 2015 Fundación Iberdrola España expanded the Life project (2010-2014) for the preservation and recovery of the Cantabrian capercaillie and its habitat in the Cantabrian mountain range, in cooperation with Fundación Biodiversidad (Biodiversity Foundation) and the Sociedad Española de Ornitología (Spanish Ornithological Society) (SEO/BirdLife): www.fundacioniberdrolaespana.org. It also continues to collaborate with SEO/BirdLife on the MIGRA project, which aims to study the migratory movements of bird species in Spain, funding the start-up of this programme from the 2011 season to the present.

More information is available at www.iberdrola.com.

G4-EN14 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations.

The Group undertakes activities in certain areas that are or may be inhabited by endangered species included in the IUCN Red List[38], the UK BAP, and the USFW list, as well as other national lists such the Sao Paolo list of endangered species, without such activities entailing a negative impact or threat.

IUCN Red List Classification	No. of species
Critically endangered (CR)	21
Endangered (EN)	57
Vulnerable (VU)	79
Near threatened (NT)	80
Least concern (LC)	576
No evaluation (NE)	201

Species appearing as not evaluated by the IUCN appear as threatened in the specific lists of each country. The list of classified species is available at www.iberdrola.com.

38 International Union for the Conservation of Nature (IUCN) (www.iucn.org), UK BAP "UK Biodiversity Action Plan" (www.ukbap.org.uk/newprioritylist.aspx), USFW "US Fish & Wildlife Services" (www.fws.gov).

Aspect: Emissions

Management Approach

The main greenhouse gas (GHG) generated by the Company's activities is CO_2, which is produced by combustion during thermal generation. Iberdrola is publicly committed to maintaining its position as one of the leading European companies with the lowest CO_2 emissions per kWh produced. The Company's strategy to achieve this is focused on gradually reducing the intensity of its GHG emissions by continuing to pursue electricity generation based on renewable sources and progressively introducing more efficient and less carbon-intensive technologies at existing facilities. The emissions per kWh produced by the Company are 28% below the average for the European electric sector. Nevertheless, Iberdrola has set itself the target of achieving a 50% reduction in emission intensity per kWh generated by 2030, in comparison to 2007, and of being carbon neutral by 2050. The Company declared this commitment at COP21 in Paris, where it played a very active and engaged role. More information at www.just2challenge.com.

Other emissions, such as emissions of sulphur dioxide (SO_2), nitrogen oxides (NO_x), and particulate matter are also created by the burning of fossil fuels. These emissions are being reduced due to the Company's energy generation mix, with the incorporation of emission-free energy and the support of modern technologies for control of thermal plants. This management focus on lower emissions per GWh produced is supplemented with a plan to invest in conventional power plants through the installation of desulphurisation units, other improvements in the combustion process, and the dismantling of less environmentally-efficient units.

In 2015 Iberdrola entered into commitments originating from various organisations, including United Nations Climate Action (climateaction.unfccc.int), Paris Pledge for Action, Commitment to Action (ex-CDP Roadmap to Paris), We Mean Business, NAZCA, CEO Climate Leaders (World Economic Forum), Powering Innovation for a Sustainable Future (Global Sustainable Electricity Partnership), American Business Act on Climate Change, and Un Millón de Compromisos por el Clima (Spanish Ministry of Agriculture, Food and Environment), etc., all of which are based on the goal of reducing emissions and driving responsible corporate policies on climate change.

G4-EN15 Direct greenhouse gas emissions. Scope 1 (per GHG Protocol)

Iberdrola's Greenhouse Gas (GHG) emissions are consolidated from the viewpoint of percentage equity interest in the companies of the Group, that is, the Company reports GHG emissions in accordance with the proportion it holds in the share structure of each of them. Direct emissions occur at sources that are owned or controlled by the Company. They include:

- Emissions from thermal generation facilities (fuel consumption).
- Emissions from biomass combustion electrical power generation facilities.
- Emissions from nuclear generation facilities based on gas-oil consumption.
- Emissions from non-generation facilities (storage of gas and sludge drying).
- Fugitive emissions of methane (CH_4) (storage and transport of natural gas).
- Fugitive emissions of hexafluoride (SF_6) in distribution networks.
- Emissions from facilities that provide services to buildings (fuel consumption).
- Emissions from mobile combustion sources, associated with road transport of employees with fleet vehicles for work purposes.

It should be noted that the emission factors used in calculating each of these emissions are obtained from official sources as described in the methodologies section in the GHG report, which is audited annually under the ISO 14064 standard, available at www.iberdrola.com.

Iberdrola has registered with the Carbon Footprint, Carbon Offset, and Carbon Dioxide Absorption Projects Register of the Spanish Ministry of Agriculture, Food, and Environment. This voluntary register was created with the aim of promoting calculation and reduction of carbon footprints among Spanish organisations. Iberdrola has recorded its carbon footprint for the years 2012, 2013, and 2014 in said register.

The evolution of CO_2 emissions from production facilities is shown in the following table:

CO_2 emissions (t)	2015	2014	2013
Expanded boundary			
Thermal generating plants	28,130,547	27,043,412	28,255,025
Cogeneration	3,457,246	3,056,258	3,465,224
Total	31,587,793	30,099,670	31,720,246

In addition to these emissions from production facilities, 41 kt of CO_2 emissions were recorded this year at the Enstor underground storage facilities in the United States and 47 kt of CO_2 at the sludge drying facilities in the United Kingdom.

63% of the Group's installed capacity is emission-free. Of the remaining capacity, 30% is medium-emission (combined cycles and cogeneration), and just 7% is high-emission (coal).

In addition to these emissions from production facilities, the following emissions were recorded this year:

Other Scope 1 emissions ($ktCO_2$ e) in 2015		Source of emission factors
Emissions associated with the consumption of diesel at nuclear plants	6.7	Magrama[39]
Fugitive emissions (CH_4) (Gas warehousing and transport)	6.3	IPPC[40]
Fugitive emissions (SF_6) (Electric power distribution)	27.9	IPPC
Emissions at buildings (fuels consumption)	7	Magrama in Spain; Defra in the United Kingdom, Mexico, and Brazil; and EPA in the United States.
Emissions from fuel combustion (fleet vehicles)	29	Defra in Spain, United Kingdom, United States, Mexico, and Brazil.

All of these direct emissions, not included in the emissions in the table above, entail less than 0.5% of the direct emissions of the Group and its affiliates.

39 Magrama (Ministerio de Agricultura, Alimentación y Medio Ambiente): Ministry of Agriculture, Food and Environment (Spain).
40 IPCC: Intergovernmental Panel on Climate Change.
41 Defra: Department for Environment, Food and Rural Affairs (United Kingdom).
42 EPA: Environmental Protection Agency (United States).

G4-EN16 Indirect greenhouse gas emissions. Scope 2 (per GHG Protocol)

Indirect emissions are those that arise from the Company's activities but are generated by other entities. These include emissions from the generation of electricity acquired and consumed by the Company. These emissions are:

– Emissions associated with the consumption of electricity in buildings.

– Emissions associated with the consumption of suspended standby energy at the renewable, thermal, and nuclear plants and pumping at the hydroelectric plants.

The emission factor of the generation mix of the respective country is used to calculate CO_2. Source: *CO_2 Emissions per kWh from Electricity and Heat Generation* from the report *CO_2 Emissions from Fuel Combustion 2015 Edition* by the International Energy Agency, except for Spain, for which the last information available from the Energy Observatory is used. More information on methodologies is available in the GHG report, which is audited annually under the ISO 14064 standard (www.iberdrola.com).

Scope 2 (kt CO_2 eq)	2015	2014	2013
Expanded boundary			
Emissions associated with the consumption of power at offices	56.76	51.71	50.75
Emissions from consumption at standby and pumping	908.16	1.009.14	948.27

G4-EN17 Other indirect greenhouse gas emissions. Scope 3 (per GHG Protocol)

All other indirect emissions are those which result from the activities of the Company, but occur in sources that are not owned or controlled by it. These emissions are:

– Emissions associated with the transport of employees for work purposes (hire vehicles and personal vehicles, planes, trains, and ferries).

– Emissions associated with the transport of fuel.

– Emissions associated with the distribution of energy from other generators.

– Emissions from suppliers that receive and respond to GHG questionnaires.

– Emissions associated with the transport of employees from their home to their work place.

More information on methodologies is available in the GHG report, which is audited annually under the ISO 14064 standard (www.iberdrola.com).

Emissions associated with the transport of employees for work purposes

This category includes emissions associated with the movement of vehicles and other means of transport in work-related travel by employees. The method for calculating these emissions is based on the application of emission factors taken from Defra for Spain and the United Kingdom, and EPA for the United States and Brazil, which assigns a numeric value to the emissions based on various input parameters. The results are set forth in the following table.

CO_2 emissions associated with employee travel (t)	2015	2014	2013
Expanded boundary			
Air	8,749	8,768	8,030
Car	11,019	8,495	7,779
Train	292	295	270

There were more than 38,271 videoconferences in Spain in 2015 that avoided employee travel, entailing a reduction of approximately 19,588 t of CO_2.

Emissions associated with the transport of fuel (Spain and United Kingdom)

The fuel supply chain was analysed in accordance with the various means of transport employed, using as emission factors those corresponding to Defra and calculating the emissions resulting from this activity. In 2015, there were 184 kt of CO_2 emissions in Spain and 205 kt of CO_2 emissions in the United Kingdom.

Emissions by mode of transport are shown below:

CO_2 emissions (t) associated with the transport of fuel in Spain and the United Kingdom	2015	2014	2013
Expanded boundary			
Roadway	22,300	14,307	9,757
Train	77,933	34,723	37,033
Ship	289,170	334,206	369,532

Emissions associated with distribution of energy purchased from other generators

The emissions associated with the energy purchased from other generators and distributed by the networks of Iberdrola Group amount to a total of 27,350 kt of CO_2 during 2015.

This calculation uses the emission factor of the generation mix of the respective country from the report "CO_2 Emissions per kWh from Electricity and Heat Generation" from the report "CO_2 Emissions from fuel combustion 2015 Edition" (data for 2013) of the International Energy Agency, except for Spain, for which the last information available from the Energy Observatory is used.

Emissions associated with the supply chain

Iberdrola conducted the *6th Supplier Awareness and Greenhouse Gas Measurement Campaign* during 2015, to which end surveys were sent to the Group's suppliers in Spain, the United Kingdom, the United States, Mexico, and Brazil. A specific survey and helpful information and support regarding this matter were sent to approximately 1,100 suppliers. Of the 46% of surveys that were received back, 40% provided a calculation of emissions and, of these, near 46% have had the inventory checked by a third party. Based on the responses obtained from the surveys, emissions proportional to the volume of the supplier's billing to the Company as a function of total billing are deemed to correspond to Iberdrola. In order to expand awareness of the Group's carbon footprint, the following levels of indirect emissions were included in the

inventory: 113 kt CO_2 for Spain, 165 kt CO_2 for the United Kingdom, 33 kt CO_2 for the United States, 17 kt for Mexico, and 39 kt CO_2 for Brazil. The emissions collected in this survey pertain to 2015.

Emissions associated with the transport of employees from their home to their work place

A survey is sent each year to the employees of the Iberdrola Group in order to record their emissions through an emissions calculation tool. In 2015 responses were obtained from 5% of the Group's employees. The data collected from the survey are entered directly into a database used to calculate emissions (in kg of CO_2 eq/year). Emissions in 2015 were verified by Aenor in relation to calculation of the Group's carbon footprint, and totalled 80 kt CO_2.

Iberdrola's inventory of emissions is calculated using the emissions set forth in indicators G4-EN15, G4-EN16, and G4-EN17. In April 2015, for the fifth consecutive year, Aenor certified Iberdrola's greenhouse gas emissions inventory, covering the direct and indirect emissions from all activities, pursuant to the UNE ISO 14064-1:2006 standard.

Set forth below is the inventory (as of the date of publication of this report) to be submitted for verification in 2016 pursuant to the Greenhouse Gas Protocol of the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI). Updated information is available at www.iberdrola.com.

CO_2 equivalent emissions to be verified in 2016 (kt)	Spain	United Kingdom	USA	Brazil	Mexico
Scope 1: Direct emissions	6,055	10,006	1,178	527	13,986
Scope 2: Indirect emissions[43]	640	286	32	4	1
Scope 3: Other indirect emissions	9,029	8,763	6,966	3,431	19

G4-EN18 Greenhouse gas emissions intensity

Intensity of CO_2 emissions[44]	2015	2014	2013
Expanded boundary			
Specific emissions from global mix (kg/MWh)	225	212	226
Specific emissions from global mix (kg/€)	1,006	1,001	1,021

In 2015, CO_2 emissions per MWh generated remained among the lowest of all domestic and international energy companies, despite the fact that it was a very dry year with low hydro production. As a reference, the specific emissions of European electric companies are approximately 313 Kg/MWh. This low emissions intensity is accounted for by Iberdrola's production mix; 52.5% of production was emission-free in 2015, and intensity was 25% lower than in 2007.

43 Below the numbers reported in indicator G4-EN16, due to the fact that the verification of the carbon footprint of Iberdrola does not take into account those corresponding to "Other countries," as defined in indicator G4-17.

44 kg/MWh: Direct emissions from energy generation facilities included in indicator G4-EN15/ net production of the Group including steam generation; kg/€: Direct emissions from energy generation facilities included in indicator G4-EN15/ Net sales in €. 2013 intensity has been corrected due to a change in steam production.

45 Source: CO_2 Emissions from Fuel Combustion 2015 PWC (December 2015).

It should be noted that the intensity of emissions at the Group's thermal plants has dropped over the past three years, from 483 kg CO_2/MWh in 2013 to 476 kg CO_2/MWh in 2014, and to 461 kg CO_2/MWh in 2015.

G4-EN19 Reduction of greenhouse gas emissions

Initiatives to reduce emissions are undertaken through a broad range of products and services promoting energy efficiency and savings. Some examples of actions carried out in 2015 are given below:

Areas		Actions and initiatives	CO_2 avoided (t)
Expanded boundary			
Renewables		Primary energy savings through the production of renewable energy	12,992,278
Hydroelectric		Primary energy savings through hydroelectric generation	3,725,330
Cogeneration		Savings through the supply of heat energy (steam) within the Group	846,099
Network efficiency		Savings from distribution network efficiency in Spain, United Kingdom, and Brazil	107,184
Retail	Spain	Energy savings and efficiency from green products and services	69,284
	United States	Energy savings and efficiency from green products and services	30,508
	Brazil[46]	Energy savings and efficiency from green products and services	1,479,102
Group		Use of videoconferencing	19,588

In total, the emission of 19,269,373 tonnes of CO_2 was avoided, equal to the amount of CO_2 absorbed by nearly one billion trees over the course of a year[47].

The operating regimen of the Group's production facilities led to the level of CO_2 emissions described in indicator G4-EN15. Indicators G4-EN6[48] and G4-EN16 provide additional information on this subject.

Despite its excellent position in this regard, Iberdrola has committed to reducing the intensity of its emissions to 50% below its 2007 level by 2030 (more information at www.just2challenge.com). Iberdrola has publicly declared its commitment by joining various initiatives, including: United Nations Climate Action (climateaction.unfccc.int), Paris Pledge for Action, Commitment to Action (ex-CDP Roadmap to Paris), We Mean Business, NAZCA, CEO Climate Leaders (World Economic Forum), Powering Innovation for a Sustainable Future (Global Sustainable Electricity Partnership), American Business Act on Climate Change, and *Un Millón de Compromisos por el Clima* (Spanish Ministry of Agriculture, Food and Environment).

The strategy to achieve this target is based on gradually reducing the intensity of GHG emissions, continuing to pursue electricity generation based on renewable sources and progressively introducing more efficient and less carbon-intensive technologies at existing facilities.

46 Brazil has been included in this report due to improvements in the data collection process.
47 The estimated amount of CO_2 absorbed by one tree in a year is 20 kg.
48 In addition to the reductions described in G4-EN6, the Group's nuclear production prevented emissions of 5,392,092 tonnes of CO_2, taking into account the mix. Source: CO_2 Emissions from Fuel Combustion 2015 Edition by the International Energy Agency (2013 Factors) and Energy Observatory for Spain.

G4-EN20 Emissions of ozone-depleting substances

The chlorofluorocarbon (CFC) and halon substances long used as coolants and propellants affect the ozone layer if they are released into the atmosphere. Ozone-depleting substances have a very limited presence at the Group's facilities, and are located primarily in fire-extinguishing equipment and cooling systems. These systems and equipment are maintained in accordance with the provisions of applicable laws and regulations. The only atmospheric emissions originating from these products would be those arising from potential losses, which are practically negligible. As specified by international treaties on the management of chemical products that are damaging to the ozone layer, the use thereof has been restricted in most countries since 2010, for which reason Iberdrola's policy has been to eliminate their presence at its facilities. Nevertheless, these substances continue to be used at those facilities where their use is still authorised and a better market substitute has not been found. Thus, 413 kg of CFC-11 equivalent was replaced in 2015, consisting of: 8 kg of CFC-11 equivalent in Spain, 404 kg in Mexico and 1 kg in the United Kingdom.

G4-EN21 NO_x, SO_x and other significant air emissions

Emissions of sulphur dioxide (SO_2), nitrogen oxides (NO_x), and particulate matter are also created by the burning of fossil fuels. These emissions are being reduced due to the Company's energy generation mix, discussed in the emissions section, with the incorporation of renewable energy and the support of modern technologies for monitoring combined cycles. This management focus is supplemented with a plan to invest in conventional power plants through the installation of desulphurisation units, other improvements in the combustion process, and the dismantling of less environmentally-efficient units.

Emissions of NO_x

Emissions of NO_x (t)	2015	2014	2013
Expanded boundary			
Generating plants	26,230	28,031	29,350
Cogeneration	6,076	5,533	7,362
Total	32,306	33,564	36,712

Emissions of NO_x (kg/MWh)	2015	2014	2013
Expanded boundary			
Specific emissions from global mix	0.230	0.236	0.262

To comply with Directive 2001/80/CE, which limits the atmospheric emissions of SO_2, NO_x, and particulates from large combustion facilities, investments have been made in combustion control systems at the thermal plants, both in Spain and the United Kingdom.

SO_2 emissions

Emissions of sulphur dioxide (SO_2) (t)	2015	2014	2013
Expanded boundary			
Generating plants	17,415	21,782	30,462
Cogeneration	177	140	265
Total	17,592	21,922	30,727

SO_2 emissions (kg/MWh)	2015	2014	2013
Expanded boundary			
Specific emissions from global mix	0.125	0.154	0.219

Particulate emissions

Particulate emissions (t)	2015	2014	2013
Expanded boundary			
Generating plants	1,416	1,528	1,708
Cogeneration	99	92	97
Total	1,515	1,620	1,805

Particulate emissions (kg/MWh)	2015	2014	2013
Expanded boundary			
Specific emissions from global mix	0.011	0.011	0.013

Emissions of mercury (Hg) and other compounds

167 kg of mercury (Hg) was emitted during 2015, of which 129 kg corresponded to the thermal power plants in the United Kingdom and 38 kg to those in Spain.

Furthermore, 569 t of volatile organic compounds (VOCs) were emitted in Spain, the United Kingdom, Mexico, and the United States; and 8.77 kg of hazardous air pollutants (HAPs) were emitted in the United Kingdom.

Aspect: Effluents and waste

Management Approach

Effluents

Various processes require the collection and use of water in their activities (see Aspect: Water in this report) and its later return to the environment as effluent.

The quality of this returned effluent is strictly controlled and is kept below the maximum acceptable values for the specific characteristics of the point of withdrawal and discharge (sea, reservoir, or river) established by the authorities. To achieve this end, plants possess valid environmental permits, treatment facilities, and systems that enable the quality and amount of withdrawn and discharged water to be determined, in full compliance at all times with applicable environmental legislation, and reducing the risk of polluting discharges. In addition, on the assumption that there is a risk of discharge of polluted water or accidental spill of fuel or chemical products, additional control tools have also been established:

– Use of consolidated systems for reporting anomalies and incidents and the establishment of plans to minimise spillage risks, by implementing predictive, preventive, and corrective actions that ensure the proper condition of the water.

– Maintenance of ISO 14001 and EMAS certifications, as well as other in-house and external audits by insurance and certifying entities, whose recommendations represent an opportunity to establish tools for transparency and continual improvement.

Distribution substations and wind farms must ensure compliance with law and seek methods to minimise risk.

In any event, emergency plans exist to ensure proper and rapid response in the event of discharges or spills with negative effects on the surrounding environment:

– Provision of information and close collaboration with the relevant bodies until the incident has been resolved.

– Subsequent analysis of the reason for the discharge or spill.

– Adoption of appropriate safety measures to reduce the probability of recurrence.

Waste

Waste generated by the Company in its various activities of construction, operation, and maintenance of facilities and workplaces is managed in a manner appropriate for the relevant type of waste, through the environmental management systems that are in place. In every process or activity the basic guiding principle is to generate as little waste as possible. When the generation of waste cannot be avoided, it is managed in an environmentally-responsible and cost-effective manner. Priority is given to reuse, and recycling is maximised whenever possible. Moreover, targets and goals are set in relation to reduction, use of good practices, and utilisation of recycled materials.

As an example of how waste material is treated as a resource to be exploited, ash and slag from coal-fired plants in Spain and the United Kingdom are noteworthy, as they are reused based on demand from cement and construction companies. The part not reused is deposited in landfills in Spain and in ash lakes in the United Kingdom.

Within the framework of the environmental management systems, the various businesses of the Group carry out activities designed to minimise and improve the management of any hazardous waste that is produced. The prevention, treatment, and final disposal of hazardous waste is performed pursuant to the applicable laws of each country, with preparation of the corresponding annual declarations.

Further to its commitment to transparency of information for Stakeholders, Iberdrola provides additional information on its nuclear plants. The operation and decommissioning of nuclear facilities generates radioactive waste and spent fuel which must be managed safely. Such waste is also managed with a view to the guiding principles of reduction, reuse, segregation, recycling, and recovery of radioactive waste.

Iberdrola must not only comply with applicable laws, but also aims to achieve best practices and institute continual improvement. All of Iberdrola's operational nuclear plants are presently located in Spain, and radioactive waste is managed in accordance with the *General Radioactive Waste Plan*, approved by the government and implemented by the Spanish state-owned company Enresa[49]. Most of this waste is of intermediate and low radioactivity and is temporarily stored at the nuclear plant to be later brought to a plant used only for this purpose managed by Enresa. Spent fuel, which is no longer useful for electric energy production, is regarded as highly radioactive waste and is temporarily deposited in the pool of the plant itself, with its ultimate destination being the Centralised Temporary Storage Facility (*Almacén Temporal Centralizado*) (ATC), to be built in Spain.

Iberdrola's nuclear power plants are included within the *Environmental Radiological Monitoring Programme of the Nuclear Safety Council*, the purpose of which is to monitor the dispersion in the environment of controlled discharges from facilities and to determine and monitor radiological quality throughout the country[50].

G4-EN22 Total water discharge by quality and destination

The thermal power-generation plants in Spain have treatment systems that treat residual water before discharging it into the natural receptor environment. Water from the process undergoes physicochemical treatment, which includes the separation of hydrocarbons. Wastewater is treated in compact treatment systems with biological aerobic processes. Coal plants have a treatment system for slag from the plant, and a decantation/coagulation process that prevents the entry of particulate coal or coal in suspension into the receptor water. After being treated, the process water and the sanitation wastewater are diluted with the water returned from the cooling system and are discharged with continuous monitoring of various parameters (temperature, turbidity, conductivity, etc.). Once a month or once a quarter, an accredited organisation performs the analyses and reports to the government.

An exhaustive inspection was performed of the water used in the direct production process at the Cofrentes nuclear power plant. All of the effluents from the water-steam cycle, from the reactor coolants, and from the standby systems are processed in the liquid waste treatment system and are returned to the cycle for reuse. On an exceptional basis, during maintenance shutdowns, liquid discharges are produced that are mixed with purified wastewater effluents and with the effluents from the collected-water treatment plant. This is stored in pools and discharged periodically under the supervision of a representative of the Water Board.

In Mexico, the combined cycles have separate and independent networks for industrial and sanitary water. The latter receive final treatment in biodigestors whereas industrial water is discharged into the environment or sent to municipal treatment plants. In Mexico, the La Laguna power plant captures sanitation wastewater for all processes, for which reason the water discharged by this facility is of better quality in some parameters than the water that is collected.

49 Enresa: Empresa nacional de residuos radioactivos, S.A.

50 For more information, see the technical report issued by the Nuclear Safety Council "*Programas de vigilancia radiológica ambiental. Resultados 2009*", available at www.csn.es.

Data regarding this indicator is shown below:

Total water discharged (m^3)	2015	2014	2013
Spain	1,216,350,343	1,163,776,367	1,194,937,158
United Kingdom	1,351,916,916	1,608,849,086	1,698,537,453
United States	1,579,854	1,589,287	1,559,353
Mexico	26,180,025	29,975,826	28,160,228
Brazil	120,755	143,827	42,493
Other countries	1,826	4,304	3,372
Expanded boundary	2,596,149,719	2,804,338,697	2,932,752,529

Most of the water discharged is water returning from the cooling systems, the temperature of which is controlled so as not to exceed the established discharge limits. The other main component of the discharge is water from processes and sanitary water that is filtered prior to discharge.

G4-EN23 Total weight of waste by type and disposal method

Two groups of waste are generated: waste originating from the process itself and waste originating from facilities and offices, which is indirectly linked to the electricity generation process (operation, maintenance, management, etc.). Waste undergoes a process of identification, classification, and management within the framework of applicable law in each country or region. The various areas of the Company perform activities to minimise waste and improve waste management, within the framework of the certified environmental management systems. Awareness-raising is very important in waste management, and to this end training activities are carried out for internal and external employees.

Waste from the production process

1. Fly ash and slag

In the thermal power plant generation process, fly ash and slag are the most typical types of waste. 693,875 t of fly ash were produced in 2015, of which 276,416 t in Spain and 417,459 t in the United Kingdom. Of the total, 71% was reused to produce cement as filling in infrastructure work and to produce compost. Also produced were 56,156 t of boiler slag and non-fly ash, of which 90% was reused and the rest was sent to landfills.

Production and reuse of fly ash at thermal plants

Production and reuse of ash at Iberdrola's thermal power plants in Spain and the United Kingdom	2015	2014	2013
Ash produced (t)	693,875	650,101	653,341
Ash reused (t)	493,895	510,231	534,458
Percentage of product reused (%)	71	78	82

As an example of waste exploitation and reutilisation, ash is mainly used to produce cement and as filling in infrastructure works, and to produce compost naturally in the lagoons created near the Longannet coal plant in the United Kingdom. Over the years, the lagoons have created habitats useful for the local fauna.

2. Nuclear waste

During 2015, 76 m^3 of radioactive waste was produced in the low-level / low-activity category at the Cofrentes plant in Spain, and 30 m^3 was sent to be deposited at the El Cabril temporary storage facility. The rest of the nuclear power plants in which Iberdrola holds an interest produced 71.7 m^3 of low-level / low-activity nuclear waste (a figure corresponding to the attributable percentage), and no waste was sent to El Cabril.

The same year, 212 m^3 of intermediate- and low-level radioactive waste was produced at the Cofrentes plant, and 246 m^3 was sent to be deposited at the El Cabril temporary storage facility. The rest of the nuclear power plants in which Iberdrola holds an interest produced 84.8 m^3 of intermediate- and low-level nuclear waste (a figure corresponding to the attributable percentage), and 78.8 m^3 was sent to El Cabril.

The fuel assemblies no longer useful for electric energy production are considered high-activity waste and are stored as spent assemblies within the pools of the nuclear reactors. At the Cofrentes plant, 252 assemblies were replaced, with a resulting total of 4,232 fuel assemblies stored in the pool. At the other

plants in which an interest is held, 168 assemblies were replaced, 71 of which are attributable to Iberdrola. There is a total amount of 3,757 assemblies attributable to the Company.

Other waste

Hazardous waste

Within the framework of the environmental management systems, the various businesses of the Group carry out activities designed to minimise and improve the management of any hazardous waste that is produced.

The waste is regularly delivered to authorised handlers for proper processing. Not all of the waste generated is deposited or recycled immediately, as there are temporary warehouses for hazardous waste at the facilities.

Hazardous waste generation[51] (t)	2015	2014	2013
Expanded boundary			
Produced	24,635	29,607	19,765
Deposited and/or incinerated	17,041	15,229	8,318
Recovered, recycled, reused	7,512	14,433	7,768

The production of hazardous waste in 2015 was mainly due to work associated with cleaning a pool at the Santurce combined cycle plant and excavation of waste materials from the storage facility at the former Santurce thermal plant. At the Cofrentes nuclear plant a larger volume of waste was managed than in previous years due to implementation of the third phase in the replacement of cooling tower fill. The demolition works at the Cockenzie power station that began in March 2013 continue.

Non-hazardous waste

Non-hazardous waste generation[51] (t)	2015	2014	2013
Expanded boundary			
Produced	738,795	637,365	541,607
Deposited and/or incinerated	424,182	425,872	407,696
Recovered, recycled, reused	311,836	153,487	128,281

Non-hazardous waste produced includes electronic equipment, wood, metals, plastics, paper, etc. The Company has minimisation, reutilisation, and recycling plans as well as awareness-raising campaigns to promote good environmental practices by its employees.

During 2015, there was income of 2,010,848 euros from the sale of non-hazardous waste.

51 Liquid waste has been converted into kg using a density of 1.3 kg/m3.

G4-EN24 Total number and volume of significant spills

Iberdrola has an Environmental Management System, and prevention is one of its key objectives. To this end, multiple preventive measures have been implemented in all of the Group's businesses. These measures are set out in organisational and technical manuals. Plans to minimise risk have been established in the Group's various businesses (emergency guides and procedures, regular drills, etc.), as have reporting and environmental incident management systems –"*Cintellate*" in the United Kingdom, "*Gamad*" in Spain, and "*Sigop*" in Mexico–; these are used to prevent and to control accidental spills and to inform the relevant authorities whenever necessary. One example of safety and containment measures taken to mitigate damage are those implemented in Spain, where 338 preventive actions were performed in 2015 to prevent and mitigate potential spills. These included the construction of 10 oil collection reservoirs in case of a major discharge at the substations or transformer stations, as well as waterproofing of containers.

Of all the leaks and spills recorded within the Iberdrola Group in 2015, only 29 incidents were significant spills[52], with a total spill volume of 66.73 m^3. In the case of minor accidents or incidents that did not have permanent environmental impacts on the surroundings, it was not necessary to adopt corrective or compensatory measures. All cases were resolved in a satisfactory manner thanks to the emergency response team; the contaminated area was cleaned with appropriate management of any waste.

G4-EN25 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.

Iberdrola does not directly transport, import, or export hazardous waste covered by the Basel Convention in any of the countries in which it engages in its activities.

G4-EN26 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff.

Water collection and discharges by the facilities during 2015 were within the limits indicated by the relevant comprehensive environmental permit, and no anomalies were detected outside of the limits that could materially affect water resources or related habitats.

The Company's activities can even be beneficial for the ecosystem, as seen in the following examples:

– In Spain, above and beyond the Integrated Environmental Authorisation requirements, at times additional quality control analyses are even conducted on water upstream from hydroelectric generation facilities, with a view to improving, where necessary, the quality of this water once it has passed through the plant and is returned to the environment (see G4-EN13).

– In the case of the Altamira III and IV plant in Mexico, which discharges into the Garrapatas estuary, allowing it to recover its salinity and thus the specific characteristics of this habitat and the species of fauna and flora adapted thereto. This estuary was losing its brackish nature due to salt-water entry being blocked, with the resulting desalination of the ecosystem.

In addition, following a study of the environment of a hydroelectric plant in Salamanca which enabled evaluation of the sustainability of energy infrastructure investments, Iberdrola has developed a methodology for evaluating the ecosystem services resulting from the presence of infrastructure of the Group.

52 The term "significant spill" means a spill that causes damage to the external surroundings of the facility or a significant risk thereof and that must be reported to the governmental authorities. Small spills may occur within the facilities during the operation and maintenance thereof, which are properly handled and reported as required.

Aspect: Products and services

Management Approach

The consumption of products and services other than fuel (natural gas, coal, etc.) and of the chemical products, oils, lubricants, and refrigerants (included in indicator G4-EN6) is not deemed to be significant in the production of electricity.

G4-EN27 Extent of impact mitigation of environmental impacts of products and services

These initiatives and their specific characteristics are found in indicator G4-EN6 of this report.

G4-EN28 Percentage of products sold and their packaging materials that are reclaimed by category.

This indicator is not applicable to the Iberdrola Group, because electricity does not directly generate any waste upon being used.

Aspect: Compliance

Management Approach

Iberdrola has a Global Environmental Management System that encompasses all of the partial certifications of each of the businesses that make up the Group. Certified environmental management systems identify the legal requirements applicable to the activities carried out by the Group and enable assessment of compliance therewith. In indicator G4-EN29 of this report, supplemental information is provided regarding ongoing environmental legal proceedings directed at companies managed directly by Iberdrola.

G4-EN29 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

Incidents relating to the environment during 2015 involved the following fines and monetary sanctions:

Fines relating to the environment (€)	2015	2014	2013
Expanded boundary			
Total amount of fines imposed	1,521,187	2,212,768	119,385

Of the total amount of fines imposed during the financial year, 1,082,409 euros were in Spain and 438,778 euros in Brazil. In Spain, significant fines consisted of the 815,839 euros corresponding to sanction proceedings for the electrocution, injury, and death of birds; and in Brazil, 382,644 euros were demanded from Neoenergia for non-compliance with environmental conditions relating to avifauna at the Calango 2 wind farm and for the impact on ichthyofauna of the Teles Pires Hydroelectric Plant.

Non-monetary sanctions, sanction proceedings, and arbitrations (no.)	2015	2014	2013
Expanded boundary			
Non-monetary sanctions	1	7	1
Sanction proceedings	69	31	21
Cases being resolved through arbitration or similar mechanisms	0	0	0

Aspect: Transport of persons and products

Management Approach

Emissions associated with importing electricity and the transport of employees and fuel are not significant in comparison to the emissions arising from the energy production process. Nevertheless, work is being carried out and there is an ongoing commitment to institute initiatives and actions to reduce the impact through the application of various mobility plans. This will enable protection of the environment, fostering clean energy and sustainable development.

G4-EN30 Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.

Indicator G4-EN17 provides information on the emission of CO_2 and on measures and plans adopted to reduce emissions of greenhouse gases generated by the transport of fuels and employee travel. Iberdrola is developing a *Sustainable Mobility Plan* which will group together and optimise existing initiatives in addition to proposing new initiatives to reduce these emissions. In recognition of this project, an award was received in 2015 from the Spanish Ministry of Agriculture, Food, and Environment for the promotion of sustainable mobility among employees and customers.

Aspect: Overall. Expenses and investments

Management Approach

Iberdrola has a procedure for the management of environmental investments and expenses according to the environmental standards defined by the Company.

As a general standard, expenses or investments of an environmental nature are considered to be all those made in activities or projects that have a manifest environmental impact, whether direct or indirect, and fall under the following categories:

– Treatment of emissions, which includes expenses or investments relating to emissions treatment equipment or systems.

– Treatment of waste, which includes investments and expenses relating to the management and treatment of waste, both hazardous and non-hazardous.

– Environmental impact remediation, i.e. removal of contamination or contaminants from the environment, soil, groundwater, sediment, and surface water.

– Environmental prevention, which considers investments in new renewable and hydroelectric facilities.

– Environmental management, which encompasses investments and expenses relating to the management of the environment that are not included in the above categories.

All of this is aimed at emphasising environmental activities and initiatives, which are undertaken in order to move towards a more sustainable energy model.

G4-EN31 Environmental expenditures and investments

The expenses and investments of an environmental nature made by Iberdrola during 2015 to preserve the environment of the area in which it operates are set forth in the following tables:

Environmental expenses (€ thousands)	2015	2014	2013
Expanded boundary			
Emissions treatment	145,109	114,913	177,332
Waste treatment	172,632	180,598	171,175
Environmental impact remediation	34,260	21,143	30,652
Environmental prevention	186,870	197,757	235,208
Environmental management	130,354	121,308	72,050
Total	669,225	635,720	686,416

Environmental investments (€ thousands)	2015	2014	2013
Expanded boundary			
Emissions treatment	17,345	27,478	21,859
Waste treatment	0	2,731	3,488
Environmental impact remediation	3,832	3,166	23,938
Environmental prevention	984,440	1,059,840	955,777
Environmental management	8,556	7,768	10,684
Total	1,014,173	1,100,984	1,015,746

The "green cent" and the net balance from the purchase and sale of CO_2 emission rights have been included as environmental expenses.

Aspect: Environmental assessment of suppliers

Management Approach

G4-EN32 Percentage of new suppliers that were screened using environmental criteria

G4-EN33 Significant (actual and potential) negative environmental impacts in the supply chain and actions taken.

The management approach regarding the Iberdrola Group's supply practices is described in the "G4-12 Description of supply chain" indicator of this report and the environmental risks of this chain are managed through quality processes and periodic audits.

The *6th Supplier Awareness and Greenhouse Gas Measurement Campaign* was conducted during financial year 2015, with specific surveys sent to more than 1,100 of the Group's suppliers of material, equipment, works, and services in Spain, the United Kingdom, Brazil, Mexico, and the United States.

Of the 46% of surveys received back, 40% provided a calculation of emissions, and of these approximately 46% had verified their inventory through a third party. This was a higher percentage than in previous campaigns, demonstrating the effectiveness of the campaign in raising awareness among suppliers.

6th Supplier Greenhouse Gas Measurement Campaign		Spain	United Kingdom	United States	Brazil	Mexico	Total
Surveys sent	no.	589	250	133	120	78	1,170
Surveys received (% of surveys sent)	no.	318	94	70	32	19	533
	%	54	38	53	27	24	46
Emissions calculations provided (% of surveys received)	no.	126	52	19	9	7	213
	%	40	55	27	28	37	40
Established goal(s) to reduce emissions (% of surveys received)	no.	105	46	13	6	6	176
	%	33	49	19	19	32	33
Emissions inventory prepared (% of surveys received)	no.	117	49	19	8	7	200
	%	37	52	27	25	37	38
Emissions inventory has been verified by third parties (% of suppliers with emissions inventory)	no.	46	36	7	4	4	97
	%	39	73	37	50	57	49

The procurement terms of the Group establish certain environmental requirements to meet this commitment, and the Company also performs various tracking and reporting activities on an ongoing basis. In 2015, procurement from suppliers with a certified Environmental Management System represented 75% of all procurement from suppliers of general supplies. With respect to fuel suppliers, those with an Environmental Management System represented 81% of the suppliers evaluated. New suppliers are evaluated in accordance with environmental and sustainability standards.

Those providers with orders during the year that do not have the certification are sent environmental engagement and awareness-raising communications to move forward in this area and commence implementation/certification of the system.

The Procurement Division ensures equal opportunity, applying standards of objectivity and impartiality in relations with suppliers, promoting publicity of and competition for selection processes, using management efficiency standards.

Fuel purchasing is subject to the general principles of Iberdrola's social responsibility policies, which require the encouragement of suppliers to engage in activities that are socially responsible, respectful of the environment, and prevent occupational risks.

The principal environmental risks are considered to be managed through the current management systems and the periodic audits that are performed.

In the management of suppliers and during the procurement process, the measures adopted to promote proper environmental behaviour by suppliers are based on the *Procurement Policy*, the *Suppliers' Code of Ethics* and the specific environmental clauses in the procurement terms of the Group. Subsequently, during the supply stage, the business units monitor the environmental performance of the supplier during the term of the contract.

No supplier with a negative environmental impact has been detected. Furthermore, Iberdrola does not have major suppliers located in countries with water stress.

Aspect: Environmental grievance mechanisms

Management Approach

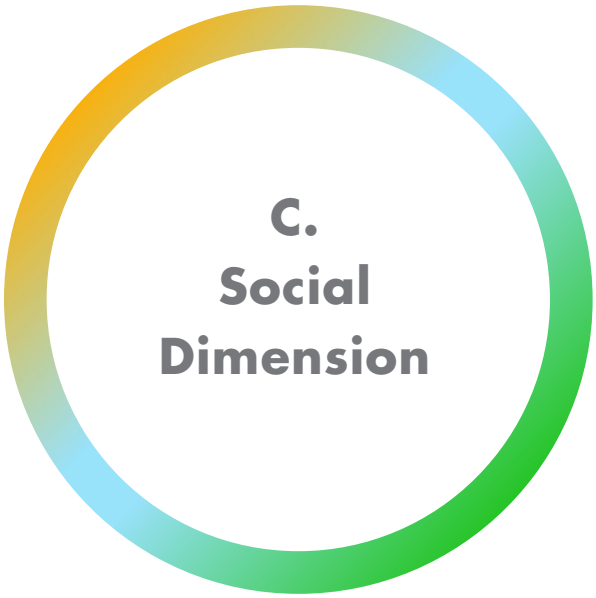
Iberdrola makes grievance mechanisms and tools and the management processes associated therewith available to its Stakeholders. This is fully described in the management approach found in the "Grievance mechanisms for impact on society" Aspect of the "Society" section of this report.

Iberdrola has an email inbox specifically dedicated to the environmental aspects of its activities, medioambiente@iberdrola.es, which serves as a channel of communication with Stakeholders. It can be accessed at www.iberdrola.com under "Contact/Channels of Contact", or under "Query Mailbox" (selecting the options "Corporate Information" and "Environment"). This tool allows users to enter queries, suggestions, claims, or complaints. The mailbox is included in the Environmental Management System of the Company, and is certified under the ISO 14001 standard.

In addition to the environment mailbox, and by way of supplement, Iberdrola can also receive messages relating to the environment through various channels that it maintains in social media, described on the corporate website in the "Press Room/Social Media" section. These channels are permanently monitored in coordination with the Communication Division, and any environmental issues that are raised are resolved.

G4-EN34 Environmental grievances

The channel established to receive environmental grievances is the corporate mailbox indicated above. 1,692 messages were received during the last financial year.



C. Social Dimension

C1.
Labour Practices and Decent Work

The aspects analysed and reported on in this chapter are the following:

Aspects of the GRI-G4 Guidelines

(Those indicators that require additional information per the electric utilities sector supplement are identified with (*))

Employment (*)
Labour/management relations
Occupational health and safety (*)
Training and education
Diversity and equal opportunity
Equal remuneration for women and men
Supplier assessment for labour practices
Labour practices grievance mechanisms

The information boundaries used in this chapter are defined in indicator G4-17 of this report.

Specific management approach focus on labour practices and decent work

Iberdrola's primary objective with respect to labour is to have in place an appropriate framework for labour relations, with agreed mechanisms for the alignment of the organisation with corporate and social requirements, thus furthering the achievement of the goals of competitiveness and corporate efficiency within a climate of social peace.

To properly manage its human resources and the multiple facets thereof, Iberdrola applies the policies, elements, and tools described in the "General Management Approach" section of this report, fostering behaviour and attitudes among its workforce in accordance with the principles described in the "Ethics and Integrity" section of this report.

The policies defined in this regard contain the guidelines governing labour relations among the various companies of the Group and serve as a reference to define the Company's goals in the management of its human resources: guarantees in employment, stable relationship with employees, quality in the aspects of occupational health and safety, and training, to guarantee diversity and equal opportunity in access to employment and in professional development.

Aspect: Employment
Aspect: Labour/management relations

Management Approach

Policies and commitments

To supplement the general approaches described above, Iberdrola has a *Human Resources Framework Policy* to define, design, and disseminate a Group human resources management model, which is set forth in the following specific policies:

– *Recruitment and Selection Policy*,
– *Knowledge Management Policy*,
– *Equal Opportunity and Reconciliation Policy*,
– *Occupational Safety and Health Policy*,

supplemented by a *Senior Officer Remuneration Policy* and a *Code of Ethics* that together establish the principles for managing these disciplines. Both the policies and the code are available at www.iberdrola.com.

To properly frame labour relations, the companies within the basic and expanded boundaries of the Iberdrola Group have collective bargaining agreements or specific equivalent agreements to govern aspects relating to the management of people.

In Spain, the companies of the Group are governed by three different collective bargaining agreements, with four agreements in force in the United Kingdom, eleven in the United States, five in Brazil at Elektro, and three in Mexico. In addition, the Brazilian companies Celpe, Coelba, and Cosern have a collective bargaining agreement and the subsidiaries controlled by Iberdrola Cogeneración and the plants of EnergyWorks are governed by other industry agreements or other types of labour agreements.

These agreements may have specific monitoring mechanisms, such as the committees and sub-committees of the Collective Bargaining Agreement in Spain, the ScottishPower Company Consultative and Negotiating Machinery Constitution in the United Kingdom, the Open Items and Update Meetings or Business Committees in the United States, and Elektro's Safety Committee in Brazil, which serve to regulate labour issues, and consult with employees and with representatives on social matters within the Company, and ensure compliance with commitments made.

Goals

Iberdrola has identified especially significant issues with respect to its employees, including:

– Define terms and conditions of employment.
– Regulate work rules, shift categories, working hours, etc.
– Define salary structure, supplementary pay, other expenses, and form of payment.
– Specify benefits offered and conditions for obtaining them.
– Establish general principles in connection with the Equality Plan.
– Recognise the right to reconciliation of personal, family, and working life.

Specific actions during the financial year

A key factor to the success of the Iberdrola Group's strategic pillars lies in its global mobility programmes, which seek to identify and place human capital where it adds the most value, thereby ensuring a professional, personal, and family experience that is both positive and enriching. New tools were launched in 2015 in order to attain these objectives.

During the 2015 financial year, 368 employees participated in the Group's international mobility programmes in their various forms.

In addition, with a view to favouring opportunities for internal promotion and international mobility, the Group has commenced operating a single employment channel, where more than 26,000 workers can access and apply for internal job vacancies that match their profile.

Under the new homogeneity objectives in the Human Resources model, the management team of Iberdrola and its subsidiaries totals 796 people at year-end 2015, with a voluntary turnover rate of 0.034. There are 845 executive officers within the Group's expanded boundary, as shown in indicator G4-LA12.

Programmes and processes to ensure the availability of a skilled workforce

Iberdrola, as a company operating in the electricity industry, needs to have a qualified workforce in keeping with the specific needs of such industry, with the technical competencies necessary to carry out the specialised work required by these types of activities in terms of both technical aspects and safety. Indicators G4-LA10 and G4-LA11 of this chapter provide information in connection with the skills and training management programmes that foster the employability of workers at the Company, as well as its performance evaluation processes.

G4-LA1 New employee hires and employee turnover

New hires	2015		2014		2013	
	Men	Women	Men	Women	Men	Women
Basic boundary						
By age, in numbers						
Up to 30 years old	610	172	629	192	704	194
Between 31 and 50 years old	415	196	456	179	560	179
Over 50 years old	51	21	38	16	84	16
By age[53], in %						
Up to 30 years old	22.83	22.43	23.01	24.19	23.69	21.86
Between 31 and 50 years old	3.61	4.68	4.13	4.49	4.93	4.31
Over 50 years old	0.65	1.11	0.52	1.03	1.15	0.97
Total number	1,076	389	1,123	387	1,348	389
Total %	4.89	5.68	5.34	6.10	6.25	5.82
Expanded boundary						
Total number	1,275	473	1,309	442	1,464	443
Total %	5.40	6.45	5.75	6.44	6.27	6.16

53 Of the headcount of this group at year end.

Personnel leaving the Company	2015		2014		2013	
	Men	Women	Men	Women	Men	Women
Basic boundary						
By age, in numbers						
Up to 30 years old	228	90	329	121	352	116
Between 31 and 50 years old	516	224	606	321	592	207
Over 50 years old	697	159	682	284	454	103
By age[53], in %						
Up to 30 years old	8.53	11.73	12.01	15.22	11.84	13.06
Between 31 and 50 years old	4.49	5.35	5.50	8.04	5.22	4.98
Over 50 years old	8.88	8.39	9.36	18.21	6.26	6.25
By seniority, in numbers						
Up to 10 years	682	271	849	360	901	306
Between 11 and 20 years	170	90	172	181	116	56
Over 20 years	589	112	596	185	381	64
By seniority[53], in %						
Up to 10 years	7.18	8.49	8.80	11.38	8.83	8.85
Between 11 and 20 years	3.99	4.92	5.05	12.13	3.63	3.64
Over 20 years	7.14	6.13	7.46	10.93	4.67	3.78
Total number	1,441	473	1,617	726	1,398	426
Total %	6.54	6.88	7.68	11.44	6.48	6.37
Expanded boundary						
Total number	1,637	531	1,780	762	1,552	468
Total %	6.92	7.17	7.82	11.13	6.65	6.49

A breakdown by geographic area can be found in the I*nformation Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

53 Of the headcount of this group at year end.

G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.

For employees of companies party to the *6th Collective Bargaining Agreement*, Iberdrola Engineering and Construction, ScottishPower, Iberdrola Mexico, and Elektro, which represent 69.5% of the workforce within the basic boundary, there are no significant differences between benefits provided to part-time employees and benefits provided to full-time employees.

A breakdown by geographic area can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

G4-LA3 Return to work and retention rates after parental leave, by gender

Leave and return to work due to paternity/maternity	2015		2014		2013	
	Men	Women	Men	Women	Men	Women
Basic boundary						
Number of employees entitled to parental leave	20,700	6,278	21,045	6,342	21,566	6,691
Number of employees taking parental leave	474	423	422	458	147	406
Expanded boundary						
Number of employees entitled to parental leave	22,287	6,769	22,752	6,845	23,329	7,203
Number of employees taking parental leave	474	424	452	484	158	427

G4-LA4 Minimum notice period(s) regarding operational changes, including whether these are specified in collective agreements.

The different organisational changes and significant events that occur are officially reported in compliance with the various legal provisions that apply at both the global and the local level within the labour relations of our companies. These notifications are made via the various channels and forums enabled for the purpose, such as monitoring committees formed by management and employee representatives, intranet, notices to interested parties, etc.

EU15 Employees eligible to retire in the next 5 and 10 years

Employees eligible to retire	In the next 5 years (%)			In the next 10 years (%)		
	2015	2014	2013	2015	2014	2013
Basic boundary	14.53	15.39	14.62	29.13	29.05	28.57
Expanded boundary	14.71	15.14	14.83	28.96	29.40	28.93

A breakdown by job category and region can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

EU17 Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities.

To perform those activities that the Company deems necessary to carry out at its facilities using subcontracted personnel, Iberdrola follows a procedure of executing services agreements defining the type of activities to be performed, and contractors are responsible for allocating and managing the resources required for the proper performance thereof.

To ensure that the subcontracted activities are performed in alignment with the values of the Group, the subcontracted companies:

– Must be approved in accordance with the process described in the "Supplier Contracting and Relationship" section of the "Human Rights" chapter of this report, which takes into account both their technical performance and their labour, environmental, and social practices.

– Must meet the requirements set forth in the Group's contracting conditions, available at www.iberdrola.com which take into account financial and quality aspects as well as environmental, labour, health and safety, and social responsibility performance.

Under these terms and conditions, subcontractors manage their technical and human resources and Iberdrola supervises the subcontracted activities performed, and does not deem it necessary to keep statistics regarding subcontracted personnel, except as regards health and safety given the importance of these issues in the social area as a material aspect. Accordingly, this document does not include all the information on subcontracted personnel required by the GRI protocols in indicators G4-11, G4-LA1, EU17, G4-LA4 and G4-LA6.

EU18 Contractor and subcontractor employees that have undergone relevant health and safety training.

Subcontractors of the Group must meet all requirements established in the Iberdrola Group's contracting conditions, which are available at www.iberdrola.com. For that reason, Iberdrola believes that 100% of the employees of such companies, regardless of their category, have received appropriate safety and health training.

Aspect: Occupational health and safety

Management Approach

Policies and commitments

The *Occupational Safety and Health Policy* approved by the Company's Board of Directors describes the principles that should guide the behaviour of the Group's companies in this area.

With a view to achieving zero accidents and the best workplace safety conditions, Iberdrola has an *Occupational Safety and Health Strategic Plan* that implements this policy, which in turn is supplemented by a Global Occupational Safety and Health System – approved in 2015, and also aligned with our corporate policy and the strictest of international standards – which incorporates the Group's best practices from all of the countries where it has a presence.

This Global System is the Group's tool for continual improvement, whereby the lessons learned from all events that occur are used to create a global knowledge base to prevent them from being repeated in any part of the Iberdrola Group. Furthermore, it is a principle of the System that the Group's contractors are its collaborators, and Iberdrola involves them in its occupational safety culture.

In alignment with such Global System, Group companies are equipped with specific procedures making up the respective local Safety and Health Systems, which are implemented within each company and externally audited. These Systems develop the principles that the Company has adopted to ensure compliance with legal requirements and to comply with expectations for the ongoing improvement of activities in this area.

Goals

For financial year 2015, safety and health goals have been established at the Group level based on the improvement of accident rates, a continuation of annual planning, and the evaluation and implementation of improvements in management systems.

Particular goals have also been established for the businesses, such as obtaining or maintaining OHSAS 18001 certification, the creation of safe behaviour improvement plans, as well as the quantification of risk detection and of monitoring measures implemented.

2016 will also include quantitative goals for improving the contractor accident rate.

Responsibilities

The main responsibility for taking preventive action lies with the Company, and therefore its organisational hierarchy, which is required to introduce prevention standards, guidelines, and policies into all of its activities and decisions, and across all levels of the organisation with executive or decision-making abilities.

In order to assist the Company in achieving this end, there is a health and safety organisational structure made up of an Iberdrola Prevention Area within the Human Resources Division.

In accordance with the principle of integration of occupational risk prevention, the hierarchical/functional organisation of each company is entrusted with giving effect thereto and is responsible for complying with and enforcing health and safety rules within its area of activity.

The companies of the Group have occupational safety and health committees, under different names, to establish channels for consultation and participation with the employee representatives in this area, to monitor indicators, and to plan and take measures to correct deficiencies and to improve the Safety and Health System.

Policies and Requirements regarding Health and Safety of Employees and Employees of Contractors and Subcontractors.

The health and safety requirements established for the workforce are set forth in the collective bargaining agreement of each company, in the procedures making up the Occupational Risk Prevention Management System, and in the internal regulations of each of the Group's companies.

As regards contractors and subcontractors, the Group's contracting conditions, which are available at www.iberdrola.com, specify the requirements to be met by firms wishing to participate in a procurement process. In addition, the particular conditions regarding occupational risk prevention are set forth in documents of specific requirements in each country, which are also contractual documents.

By way of example, the following are some of the specified safety and health requirements:

– Subcontracted employees who have specific duties to monitor and control occupational risk prevention must provide evidence of having received the training established for such purpose under the law applicable thereto.

– Subcontracted employees shall have the necessary training to deal with the risks of the facilities and of the work to be performed.

– In submitting an offer, contractors must provide a report on their accident rate for the last three years, specifying the accident rate of the contractor's group or section engaged in the work bid for or in similar work.

– During the performance of the work or service, the contractor must adopt such measures as are necessary to comply with its obligations and those of the companies to which the contractor has subcontracted such work or services.

– The contractor shall be responsible for safety conditions during the period of execution of the works or performance of the service, as well as for any supplementary measures that are required for the proper performance of the subject matter of the contract.

G4-LA5 Employees represented on formal health and safety committees (management / employees).

In Spain, the companies that are signatories of the *6th Collective Bargaining Agreement* have a central committee that coordinates the activities of the thirty-six local safety and health committees to which all work centres and administrative units are assigned. At Iberdrola Ingeniería y Construcción, there is a Central Safety and Health Committee and three local committees where all matters relating to the safety and health of employees are examined with workers' representatives.

At ScottishPower, a Health and Safety Governance Committee is responsible for the overall strategy and guidelines in this area. It is made up of members of the management team and by occupational safety and health specialists. It receives support from the Health and Safety Board and from the Health and Safety Council. In addition, each business has its own Safety and Health Committee.

In the Networks Business in the United States, a new structure has been established whereby the Executive Safety Committee and the Strategic Safety Board, along with expert panels and employee safety teams review work that involves risk-related activities and safety activities that have been undertaken. Unions and executives are involved in occupational safety and health through their participation in the committees and regular safety meetings.

In the Renewables Business in the United States, there are regular meetings of the local health and safety committees and of the Central Committee to review health status and the achievement of safety objectives in all regions.

Iberdrola Mexico has a mixed safety and health committee at each facility, governed by the Mexican NOM-029-STPS standard and by the collective bargaining agreement. There is also a Safety Committee (COSE) made up of the heads of safety and environment at each facility and coordinated by the Generation Division.

At Elektro, there is a Safety Committee made up of members of the management team and by the businesses' occupational safety and health specialists.

In the area of occupational risk prevention, the Group has the following evaluation and monitoring mechanisms, which go beyond the legal requirements in each of the countries in which the Group has a presence.

– The occupational health and safety management systems of the Group's companies in Spain, the United Kingdom, Mexico, and Brazil[54], in addition to those of the Renewables Business in Portugal, Hungary, Romania, and Italy, have OHSAS 18001 certification.

– In the United States, the Networks and Renewables Businesses are also working to develop an occupational risk prevention management system based on the OHSAS 18001 standard. Also, within the Renewables Business, the Klamath thermal plant has achieved the highest certification available in that country, the OSHA VPP Star by the OSHA of the state of Oregon.

Employees represented on health and safety committees (%)	2015	2014	2013
Basic boundary	95.74	95.52	96.81
Expanded boundary	95.20	94.58	96.83

A breakdown by geographic area can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

54 The Brazilian subsidiary Elektro obtained such certification for 50% of its employees.

G4-LA6 Type of injury and rates of injury, occupational diseases, lost days, absenteeism, and total number of work-related fatalities, by region and by gender.

Accident rate among Group personnel[55]	2015	2014	2013
Basic boundary			
Number of accidents	366	483	435
With fatality	0	1	0
With leave	61	74	88
Without leave	306	408	347
Number of fatalities	0	1	0
Number of lost days	4,629	4,700	3,587
Injury with leave rate (IR)	0.25	0.31	0.36
Occupational disease rate (ODR)	0.02	0.00	0.00
Lost day rate (LDR)	18.68	19.28	14.76
Expanded boundary			
Number of accidents	386	521	486
Number of fatalities	0	1	0
Number of lost days	4,877	7,375	4,223
Injury with leave rate (IR)	0.28	0.39	0.46
Occupational disease rate (ODR)	0.02	0.01	0.02
Lost day rate (LDR)	18.14	27.98	15.85

55 Methodology for calculating the indicators (per GRI standard):
– Injury rate (IR) = (number of injuries with missed (absentee) days*200,000)/hours worked
– Occupational disease rate (ODR) = (number of occupational diseases cases/hours worked)*200,000
– Lost day rate (LDR) = (working days lost per accident/hours worked)*200,000
– Absenteeism rate (AR) = (missed (absentee) days/days worked)*200,000

Absenteeism among Group personnel[55]	2015	2014	2013
Basic boundary			
Number of persons absent per year	12,035	18,777	27,640
Men	7,913	10,956	18,471
Women	4,122	7,821	9,169
Number of lost days	176,775	192,520	180,726
Men	119,053	131,310	125,104
Women	57,722	61,210	56,622
Number of person equivalents	484,32	527,45	495,14
Men	326,17	359,75	342,75
Women	158,14	167,70	152,39
Absenteeism rate (AR)	6,122,87	6,319,76	5,807,57
Expanded boundary			
Number of missed days per year	13,992	21,189	31,280
Number of lost days	184,648	204,786	192,830
Number of person equivalents	505,88	561,06	528,30
Absenteeism rate (AR)	5,880,08	6,211,45	5,930,94

In addition to the indicators mentioned above, the following indicators are considered to be relevant in Spain: frequency rate, severity rate, and incidence rate. The breakdown by geographic area and also for these rates in Spain is provided in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

55 Methodology for calculating the indicators (per GRI standard):
– Injury rate (IR) = (number of injuries with missed (absentee) days*200,000)/hours worked
– Occupational disease rate (ODR) = (number of occupational diseases cases/hours worked)*200,000
– Lost day rate (LDR) = (working days lost per accident/hours worked)*200,000
– Absenteeism rate (AR) = (missed (absentee) days/days worked)*200,000

The table below shows the accident and absenteeism rates of subcontracted employees:

Injuries and absenteeism among subcontracted personnel	2015	2014	2013
Basic boundary			
Number of accidents	369	515	458
With fatality	1	1	1
With leave	140	144	186
Without leave	228	370	271
Number of fatalities	1	1	1
Number of lost days	5,197	4,304	5,109
Expanded boundary			
Number of accidents	372	595	558
Number of fatalities	1	4	2
Number of lost days	5,314	7,773	11,374

G4-LA7 Workers with high incidence or high risk of diseases related to their occupation

The Iberdrola Group's companies monitor the health of their employees for prevention purposes, using in-house or outsourced medical services that are responsible for monitoring the health of employees through regular medical check-ups.

In general terms, the Group considers that employees are not exposed to specific occupational or work-related diseases in the course of their work that may be considered to have a high level of incidence or to carry a high risk.

G4-LA8 Health and safety topics covered in formal agreements with trade unions

All work centres and administrative units of the companies that are signatories of the *6th Collective Bargaining Agreement* in Spain are assigned to local safety and health committees. Overall, there are thirty-six committees that coordinate their activities through a Central Committee. All were created in accordance with the Occupational Risk Prevention Act and are formed with equal representation between the company and the workers. In 2015, the committees met on a quarterly basis and were the most important consultation, participation, and control bodies of the Occupational Risk Prevention Management System, as well as the forum where formal agreements on the matter were reached with the trade unions. The bodies responsible for coordinating and monitoring the implementation of preventive standards and procedures are the Prevention Coordinating Committees, working closely with the Joint Prevention Service of the companies of the *6th Collective Bargaining Agreement*.

At ScottishPower, an *Occupational Health and Safety Policy* sets forth the Company's principles to ensure compliance with statutory requirements and to comply with the expected ongoing improvement in this matter. The company also has a Health and Safety Governance Committee made up of members of the management team and key occupational health and safety specialists of the business, and is responsible for designing the overall strategy and the lines of action in this area. In addition, there is a Health and

Safety Board that provides technical support and advice, and a Health and Safety Council that acts as a forum for consultation with workers' representatives on this matter. One of the principal outcomes of these consultations is the drafting of the ScottishPower Health and Safety Representatives Charter, which was agreed to by management and union leaders.

In the United States, the Networks Business and trade unions have signed various Collective Agreements that cover personal protective equipment, and worker participation in inspections, audits, incident investigations, training, and grievance mechanisms.

Within the Renewables Business, the process to develop both occupational safety and health regulations and training is carried out by a committee made up of executive officers and field personnel.

Iberdrola Mexico has a mixed safety and health committee at each facility, governed by the Mexican NOM-029-STPS standard and by the collective bargaining agreement. There is also a Safety Committee (COSE) made up of the heads of safety and environment at each facility and coordinated by the Generation Division.

Elektro has a Safety and Health Management System that defines work procedures and instructions, which is available on its intranet. The company also has a Mixed Health and Safety Committee that ensures the effectiveness of activities and communication on risk prevention actions as a value that informs all of its activities and is part of the company's culture. The company also has a Safety Committee and 42 internal accident prevention committees.

Aspect: Training and education

Management Approach

Policies and commitments

At Iberdrola, training and development are considered to be a key factor to the success of the organisation. This understanding is embodied in the design of specific policies and programmes to equip Iberdola's professionals with the qualifications needed to perform their roles, and to foster a culture of development, value creation, and ongoing improvement that allows them to assume new responsibilities in the future. These plans are validated by the heads of the businesses and by the Human Resources Division.

The commitments assumed with the start-up of these plans and programmes are summarised below:

– Alignment with the strategic goals of the Company.
– Professional improvement for job performance.
– Better professional development, fostering personal advancement and employability.
– Adjustment of human resources to technological and organisational changes.
– Adaptation of new employees to the Company.
– Ease of access to an international job framework.

Specific goals and activities

With regard to training and development, the following significant activities were carried out during 2015:

– Continued with providing and promoting the training needed for the *STAR Project* on smart grids and *Project 2020*, both within the Networks Business.

– Completed implementing the competencies model in those countries where *OneHR* (human resources management software) is in place for the technician and middle manager group, and increased the scope of this project in the training and development areas, leading to its implementation in other countries, as in the case of Elektro in Brazil.

– Continued with the project of developing the *Iberdrola Campus* (Iberdrola Corporate University), which has undergone significant construction progress throughout 2015. These facilities will house training and development activities across all knowledge areas and for all Iberdola groups.

– Held worldwide workshops on cybersecurity and the risks pertaining to the use of new technologies, aimed principally at management and executives.

– Developed a mobile version of the e-leaders virtual environment, which enables management and executives to access their content from anywhere at any time.

– Ongoing commitment to the learning of the company's three languages: Spanish, English and Portuguese.

Iberdrola's *Knowledge Management Policy* (available at www.iberdrola.com) recognises the importance that intellectual capital represents for the Company. In implementing this policy, which is intended to disseminate and share the knowledge existing within the Company by fostering ongoing learning and cultural exchange, Iberdrola reaffirms that the Company's intellectual capital depends on its people, its operational and organisational structures, and its internal and external relationships with all Stakeholder groups. At Iberdrola, learning is thus permanent, ongoing, and aligned with the strategy of the Group.

The *Knowledge Management Policy* is founded on a number of basic principles of conduct, a description of which can be viewed at www.iberdrola.com.

G4-LA9 Hours of training

Employees and hours of training by professional category and gender	2015		2014		2013	
	Men	Women	Men	Women	Men	Women
Basic boundary						
Hours of training						
Management team	21,286	4,301	20,172	3,519	28,884	4,788
Middle managers and skilled technicians	265,015	67,351	277,142	75,291	305,216	79,744
Skilled workers and support personnel	464,988	37,866	470,098	45,528	603,803	72,817
Average hours per trained employee						
Management team	34.03	35.80	30.95	30.76	49.15	45.49
Middle managers and skilled technicians	37.05	25.02	37.00	27.21	44.42	37.57
Skilled workers and support personnel	44.92	22.05	39.83	25.20	48.11	25.84
Expanded boundary						
Hours of training	859,332	124,634	877,106	148,777	1,019,774	174,935
Average hours per trained employee	42.18	24.41	40.92	29.27	47.83	32.44

The differences between men and women are a result of the different specific training for the various professional categories of the workforce, and are not due to a policy of discrimination.

A breakdown by geographic area can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

G4-LA10 Programmes for skills management and lifelong learning

The Iberdrola Group believes that professional development contributes to achievement of the Company's results and improving the efficiency of the organisation, by equipping employees with the skills and competencies they need to perform their work efficiently today and preparing them to undertake greater responsibilities and challenges in the future.

In 2015, the signing of a Master Agreement with a specialised provider resulted in a global definition of the tools and processes for evaluating leadership capabilities and analysing individual potential. In this way, the evaluation processes implemented conform to a homogeneous global process.

Furthermore, with a view to fostering a management team that is competent, committed, and motivated at a global level, the Global Talent Management Model has been extended to Brazil, with the inclusion of Elektro in the corporate processes of training and development.

For the first time, process for identifying professionals with Management Potential was carried out simultaneously in Spain, the United States, the United Kingdom, Mexico, and Brazil, which has allowed for consistent application of the defined standards and the identified group.

Along these lines, Iberdrola has various programmes aimed towards those who have been identified as professionals with the potential for management development, including the two-and-a-half year *MBA in the Global Energy Industry* offered by Universidad Pontificia de Comillas in Madrid and the Strathclyde University Business School in Glasgow. This is a global programme with participating professionals from Spain, the United States, the United Kingdom, Mexico, and Brazil. The second year of this programme commenced in 2015, while the first cohort graduated in its entirety with excellent results at well above the average level.

For technicians and middle managers, Iberdrola has a skills-based development model implemented through a process known as PDP that permits the formation of Personal Development Plans for these professionals. The third cycle of SAVIA (the term for the PDP process as applied in Spain) was completed in 2015 following its launch in February of the preceding year, while in 2015 ScottishPower and the Networks Business in the United States began conducting the activities described above.

In addition to the resources available in the skills-based development model, Iberdrola continued offering specific skills development programmes in 2015 to ensure that employees not only have the necessary training to perform their tasks efficiently but are prepared to assume new responsibilities in the future. These activities are provided locally and are adapted to the particular culture and characteristics of each country.

Iberdrola has also continued offering its *Welcome Plans* (*Planes de Acogida*) for new employees this year. These plans afford an overall vision of the Company and familiarisation with its culture and values. A *Welcome Plan* was implemented in Mexico following this general framework in 2015. In addition to these onsite plans, all Iberdrola employees can access the virtual global welcome module, available in English, Spanish and Portuguese.

Several working sessions were held in 2015, principally with ScottishPower, the Renewables and Networks businesses in the United States, Iberdrola Mexico, and Elektro, in order to exchange knowledge,

information, and experience in the areas of training and development. Along these lines, the Development Committees, which meet quarterly, were maintained during 2015.

Specific training for executives

The Executive Development Unit worked during 2015 on coordinating and supervising the global talent management process in the various countries; it also attends to all management training and development needs through the Management School, with the following noteworthy programmes conducted in 2015:

– *Energising Leadership Program*, taught by ESADE Business School. Geared towards management trainees with high potential and/or executives who are beginning their careers.

– *Leading in a Volatile, Uncertain, Complex and Ambiguous world (VUCA world)*. This programme analyses the challenges that executives face in their daily activities as a result of this new environment.

– *Global Leadership Program*, taught by the IMD Business School. This programme is directed towards established executives that have a track record with the Group.

– *Global Leadership Programme Executive Version*. This is a condensed version of the *Global Leadership Program*, designed for the group's senior management.

– In Spain, there have been two editions of *Lead by Communicating* and the *Personal Productivity* improvement programme (Getting Things Done methodology).

– Various executives from Elektro and from ScottishPower participated in their respective local coaching programmes.

– ScottishPower continued with the *Leadership Excellence* programme based on the elements of Iberdrola's leadership model.

Other actions carried out with the management team in 2015 included the holding of conferences, workshops, meetings, etc., as well as continued access to e-leaders, the management school's virtual space, in both its web and mobile versions.

G4-LA11 Employees receiving regular performance and career development reviews

Iberdrola believes that reviewing the performance of workers with respect to common goals helps with and contributes toward both the management of skills and the development of human capital within the organisation; the employees of the Group are thus included in formal performance review processes. These processes have an impact on variable remuneration and the annual salary review.

Employees can be reviewed in accordance with their level of responsibility:

Executive officers

Goal-based review: Measurable, quantifiable, and specific goals to be achieved over the course of the review period, relating to the goals of the Company. This process affects variable remuneration.

Performance review: Review of conduct during the achievement of the goals. This has an impact both on the employee's annual review and on their personal development plan for the future.

Other professional categories

Performance review: In this case, the performance review is used for the annual review calculation and for the variable remuneration calculation. Employees are reviewed on the basis of a number of personal competencies.

The relevant processes are implemented pursuant to a global Human Resources model. The corresponding tool, supported by SAP, allows management of the Human Resources processes relating to, amongst other things, review, development, and remuneration, together with global handling of all participants, thereby

unifying the focus and standards of application to help ensure that a single common policy applies to all employees.

As regards the multidimensional review process, Elektro uses a 360° review. This type of review is performed every two years, alternating with a standard performance review.

Performance and development reviews	2015	2014	2013
Basic boundary			
Number of employees	26,978	27,387	28,257
Men	20,700	21,045	21,566
Women	6,278	6,342	6,691
Employees with performance reviews (%)	81.04	80.56	80.00
Men (%)	81.71	81.99	81.19
Women (%)	78.83	75.79	76.17
Expanded boundary			
Number of employees	29,056	29,597	30,532
Employees with performance reviews (%)	81.05	81.61	80.87

A breakdown by geographic area can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

Aspect: Diversity and equal opportunity
Aspect: Equal remuneration for women and men

Management Approach

Policies and commitments

The policies applied by Iberdrola in the area of labour relations are identified in the introduction to this chapter, and include the *Equal Opportunity and Reconciliation Policy*, which promotes the commitments of equal treatment between men and women and support for workers with diverse abilities, promoting their effective employment.

The Iberdrola Group has procedures in place to prevent any discrimination for reasons of race, colour, gender, language, religion, political opinion, national origin, social status, status as a member of an indigenous community, disability, health, marital status, pregnancy, sexual orientation, or other personal condition that is unrelated to job-performance requirements.

The Group's companies, in the various countries in which they operate, promote equal opportunity without discrimination, respect diversity by promoting effective equality between men and women in access

to employment, training, promotion, and working conditions, and provide support to workers with diverse abilities, promoting the labour integration thereof.

In order to give effect to the principle of non-discrimination, the *6th Collective Bargaining Agreement* in Spain provides that workers with disabilities will work in conditions that ensure the application of equal treatment and assure their professional progress through access to the training scheduled for other workers. To achieve the integration of these workers, appropriate measures will be adopted for the adjustment and accessibility of the job, based on the requirements and characteristics thereof and on the needs in each specific situation. Iberdrola is also a signatory of the *Diversity Charter* since 2009, and it renewed that commitment in 2015; as such, it respects prevailing legal provisions in terms of equal opportunity and non-discrimination, and puts diversity policies into practice. ScottishPower has defined eight specific internal policies in this area, and in the United States both the Networks Business and the Renewables Business have five similar policies. In Brazil, activities are compliant with legal provisions similar to those applying in Spain where persons of diverse abilities are concerned.

In the United Kingdom, 2015 saw the commencement of a diversity and hiring action plan, which was agreed following the audit performed in 2014, and which includes communication activities to raise staff awareness of diversity and inclusion, as well as a training programme for 2016.

All policies supporting reconciliation and diversity have been reviewed, updated and disseminated internally through the employee portal and the company web page during the year. The yearly satisfaction survey, "The Loop", was conducted with a 70% response from the workforce; 74% of respondents showed pride in belonging to the organisation, and 66% affirmed that its HR policies support diversity by recognising and respecting the value of differences in the workplace.

Goals

The main goals in this area during 2015 have focused on:

– The encouragement of reconciliation between employees' work and family life, which includes measures to ensure compatibility between a positive experience of parenthood and a successful professional career.

– The development of labour relations based on equal opportunity, non-discrimination, and respect for diversity.

– The fostering of diversity and the social inclusion of vulnerable groups through the corporate volunteer programme, which affords our employees an opportunity to participate in various community support initiatives and to improve the quality of life of persons in those groups.

Specific activities

– In Spain, the company has offered various options for employees on non-school days when children do not attend class, and various educational courses for children. It has also continued conducting the "Iberdrola School for Parents", which offers employees the opportunity to participate together with their children in various programmes.

– As regards diversity, the group has held the *Hello/Hola* and *My Guest (Mi invitado)* cultural exchange programs for the children of employees in Spain, the United Kingdom, and the United States.

– In order to comply with the principle of non-discrimination for reasons of diverse abilities, by the end of the 2015 financial year 72 people with diverse abilities had been relocated in our workforce, and arrangements were made to obtain disability certificates for those employees who applied for them.

– *Family Plan*: This plan is intended to facilitate the social and workplace integration of family members with a disability who are dependent on an employee. It has benefited 473 families since 2008.

– *ComunicA service*: This is a video-interpretation alternative for dealing with enquiries and offering personalised advice to users with a hearing disability, courtesy of the renewed agreement with Spain's National Confederation of the Deaf (*Confederación Nacional de Sordos de España*).

– The companies that comprise the Iberdrola Group in Spain have made donations to entities or foundations whose purpose is professional training, entry into the job market, or the creation of employment for persons with disabilities; they have also signed contracts with special employment centres, in excess of the amount required by law for investment in alternative measures.

– In the United Kingdom, ScottishPower has renewed its collaboration with recognised entities that support diversity, such as the *Business Disability Forum*, *Employers Network for Equality & Inclusion*, etc. It maintained its *Two Tick* accreditation during the year, and also maintained the *Tommy's Healthy Pregnancy Charity* certificate.

– Additionally, in 2015 ScottishPower launched a shared parental leave policy, which offers an improvement with respect to the terms of the legislation as regards leave for maternity and adoption.

– In the United States, the Networks Business has carried out significant initiatives in the hiring arena in order to foster diversity. An agreement was signed with the Centre for Energy Workforce Development (CEWD) and its *Troops to Energy* programme, which seeks to integrate military veterans into the energy industry workforce.

G4-LA12 Composition of governance bodies and employees

Employees in the workforce	2015	2014	2013
Basic boundary			
By gender			
Men	22,012	21,045	21,566
Women	6,848	6,342	6,691
By professional category[56]			
Management team	845	872	868
Middle managers and skilled technicians	11,823	11,678	10,687
Skilled workers and support personnel	14,310	14,837	16,702
By age group			
Up to 30 years old	3,439	3,526	3,862
Between 31 and 50 years old	15,680	15,019	15,500
Over 50 years old	9,741	8,842	8,895
Number of employees[57]	28,860	27,387	28,257
Expanded boundary			
Number of employees	30,938	29,597	30,532

56 The breakdown by professional category does not include information relating to the former UIL Holdings Corporation following its merger into Avangrid in the United States on 16 December 2015, as this data is not yet recorded in the corporate systems.

57 The total number of workers and the definition of the corresponding boundaries are located in sections G4-9, G4-10, and G4-17 of this report.

A breakdown by geographic area can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

Board of Directors	2015	2014	2013
By gender			
Men	9	9	10
Women	5	5	4
By age group			
Up to 30 years old	0	0	0
Between 31 and 50 years old	2	2	3
Over 50 years old	12	12	11
Number of members	14	14	14

For reasons of confidentiality, in order to comply with the requirement established by the personal data protection laws in effect in each country, the information systems of the companies making up the Iberdrola Group do not record their membership by ethnic group, religious group, or any other diversity indicator.

G4-LA13 Ratio of basic salary and remuneration of women to men

The table below shows the salary ratio of men to women within the basic and expanded boundaries and, although the data set forth therein might suggest inconsistency with the management approach described above, the differences between the salaries of men and women are a consequence of changes in the structure of the workforce rather than the result of a discriminatory policy, given that each professional category includes:

– different professional levels, with different proportions between men and women, and

– groups from different geographical areas, in different currencies and salary bands.

Salary ratio of men to women (%)	2015	2014	2013
Basic boundary			
By professional category			
Middle managers and skilled technicians	108.70	108.97	109.36
Skilled workers and support personnel	99.00	98.87	94.30
Expanded boundary			
By professional category			
Middle managers and skilled technicians	105.50	106.81	107.36
Skilled workers and support personnel	100.70	99.11	93.73

A breakdown by geographic area can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

Aspect: Supplier assessment for labour practices

Management Approach
G4-LA14 Percentage of new suppliers that were screened using labour practices criteria
G4-LA15 Significant negative impacts in the Supply Chain

The management approach regarding the Iberdrola Group's supply practices is described in the G4-12 "Description of supply chain" indicator of this report.

New suppliers are evaluated according to such management approach and their significant risks regarding labour practices are managed through quality procedures and periodic audits.

Aspect: Labour practices grievance mechanisms

Management Approach

The grievance procedures and tools that Iberdrola makes available to its Stakeholders, as well as the management processes with respect thereto, are described in the management approach for the Aspect "Grievance mechanisms for impacts on Society" in the "Society" section of this report.

G4-LA16 Grievances about labour practices

Using the standard that class actions on the same matter are deemed to be a single grievance, the companies within the basic boundary received 62 grievances about labour practices[58] in 2015; of these, 34 were resolved in that same year. In addition, 38 other grievances pending from previous years have been resolved.

58 The grievances were received in Spain, the United Kingdom, and the United States. In Spain and the United Kingdom, this includes the grievances that reach the courts, while in the United States grievances include those filed with the various state and/or federal commissions on human rights and equality.

C2.
Human Rights

The aspects analysed and reported on in this chapter are the following:

Aspects of the GRI-G4 Guidelines

(Those indicators that require additional information per the electric utilities sector supplement are identified with (*))

Investment
Non-discrimination
Freedom of association and collective bargaining (*)
Child labour
Forced labour
Security practices
Indigenous rights
Assessment of impact on human rights
Supplier human rights assessment
Human rights grievance mechanisms

Specific Aspect of the Iberdrola Group

Iberdrola and the Global Compact

The information boundaries used in this chapter are defined in indicator G4-17 of this report.

Specific management approach focus on human rights

The Company is explicitly committed to the defence of human rights, and it has a set of tools that ensure and promote the protection of and respect for human rights, hindering or preventing the violation thereof. To that end, the Company's practices are in line with the principles of the *United Nations Global Compact*, the *Guiding Principles on Business and Human Rights*: *Implementing the United Nations 'Protect, Respect and Remedy' Framework*, the *OECD Guidelines for Multinational Enterprises*, the *Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy*, and the International Labour Organization's *Social Policy*.

Iberdrola has a *Policy on Respect for Human Rights* approved by the Board of Directors (as an instrument for further development of the *General Corporate Social Responsibility Policy*) which formalises the Group's commitment to the human and labour rights recognised by domestic and international law, the principles of which must be observed by all professionals of the Group, regardless of the place in which they carry out their activities.

The basic principles of conduct include, among others, the commitments to:

– Respect the human and labour rights recognised by domestic and international law, as well as adhere to international standards in those countries in which human rights law has been insufficiently developed.

– Reject child labour and forced or compulsory labour and respect the freedom of association and collective bargaining, as well as non-discrimination and the rights of ethnic minorities and indigenous peoples in those places in which it does business.

– Promote a culture of respect for human rights and awareness among its professionals in this field at all of the Group companies and, in particular, at those in which there may be a higher risk of violation of such rights.

In order to achieve the aforementioned objectives, the Group has commenced due diligence procedures in order to identify situations and activities that pose a greater risk of violation of human rights, and has also begun to implement mechanisms to prevent and mitigate such risk in its own activities and those of its suppliers.

Thus, in 2015 Iberdrola collaborated with the Global Compact Network Spain on the creation of a software application to assist companies that have adhered to the Global Compact, in order to move forward with the implementation of the *Guiding Principles on Business and Human Rights*.

In addition, the Company is equipped with the following tools to put respect for human rights into practice, which have been approved by the Board of Directors and must be observed by all professionals and companies within the Group:

– The *Code of Ethics*, which governs the conduct of all Group professionals, and specifically conduct relating to the defence of human rights, and also establishes monitoring mechanisms and disciplinary measures in the event of noncompliance.

– The *Suppliers' Code of Ethics*, which promotes compliance by suppliers with applicable legal provisions and with the United Nations Global Compact in the fields of ethics, labour practices, health and safety, and the environment. This code must be expressly accepted by the Group's suppliers and will be attached to the respective contracts.

In the management of human rights, Iberdrola also applies the management elements described in the "General management approach" section of this report.

It is the responsibility of each company of the Group to follow approved policies and to apply the principles for the protection of human rights. These policies, along with others also approved by Iberdrola's Board of Directors, may be viewed at www.iberdrola.com.

Aspect: Investments

Management Approach

The policies, codes, and procedures governing the operation of the Company are applied in all of Iberdrola's activities, including investments. For that reason, Iberdrola is confident that investments are made in accordance with strict standards of respect for human rights, and has no evidence through the channels established for this purpose of any kind of activity, whether internal or external, contrary to such rights.

G4-HR1 Investment agreements and contracts that include human rights clauses

In accordance with the statement set forth in the preceding Management Approach, even if the investment agreements put into practice do not specifically include this type of provision, they are all protected by the procedures applied at the Company.

There were 36 particularly significant projects during financial year 2015:

– Spain: 2 projects. In Spain, work continued on the *Madrid Plan* project for reducing the size of substations and dismantling high voltage overhead lines, and on the *STAR project* for installing smart grids.

– United Kingdom: 7 projects. Includes the agreement reached with Siemens as supplier of the turbines for the *East Anglia One Project* and the agreements for construction of six wind farms

– United States: 5 projects, for wind farms.

– Mexico: 3 projects, covering the Monterrey combined-cycle unit and the Dynasol cogeneration plants at Altamira and Bajío in San Juan del Río.

– Brazil: 19 projects, including ten contracts for the construction of new power substations, transmission lines, and expansions of the existing substations at Elektro, 2 in the Renewable Energy Business, for the Calango 6 and Santana 1 and 2 farms, and 7 at Coelba and Cosern, relating to various significant projects.

G4-HR2 Employee training on human rights

Iberdrola's employees have been informed of the existence of the various policies approved by the Board of Directors and of the *Code of Ethics*, and all newly-hired employees receive a copy of such code together with their contract. This code is available at the Employee Portal and at www.iberdrola.com, both to employees and to any person wishing to become acquainted with such matters.

Due to the importance of this topic, various training initiatives have been implemented in this field for several years now. For example, there is an online course on human rights training, which more than 4,600 employees have successfully completed over the last three years. During such period, more than 23,000 hours of training on significant aspects relating to human rights have also been carried out.

Aspect: Non-discrimination

Management Approach

Iberdrola believes that non-discrimination is a concept that can be managed in a coordinated fashion with the concepts of diversity and equal opportunity, for which reason the management approach is dealt with in the chapter "Labour practices and decent work" in the "Diversity and equal opportunity" Aspect.

G4-HR3 Incidents of discrimination

Reported incidents of discrimination (no.)	2015	2014	2013
Expanded boundary	8	4	13

In the United States 8 complaints for incidents of discrimination were received and reviewed; 2 were resolved and the other 6 are pending resolution. There is no evidence of any complaint or incident on these grounds at the rest of the companies.

Aspects: Freedom of association and collective bargaining, child labour and forced labour

Management Approach

In applying the policies and commitments described at the beginning of this chapter, Iberdrola takes the measures it believes are necessary to ensure that workers can exercise their rights to freedom of association and collective bargaining in all countries in which it operates. It also has the necessary measures in place to prevent child labour, forced or compulsory labour, or the assignment of hazardous work to young people.

G4-HR4 Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk.

G4-HR5 Operations and suppliers identified as having significant risk for incidents of child labour.

G4-HR6 Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour.

The Company performed a study to identify the significant locations of operation at which there might be some risk of violation of such rights. The 2015 report of the International Labour Organization entitled Report of the Committee of Experts on the Application of Conventions and Recommendations was taken as a reference for that purpose.

Those countries that have not ratified the conventions on forced labour (C029, C105), trade union freedom and collective bargaining (C087, C098), and child labour (C138, C182) were deemed to be countries at risk, as were countries where, while they had ratified such conventions, findings were made that show weak points in the application of any of such conventions.

According to this standard, 39 locations of operation in countries where some of these risks may exist have been identified, representing 30% of the total number of locations of operation of the Group. In addition, there are 24 other locations in the United States, a country that has not yet ratified several of such conventions, but given the socio-political characteristics of that country, Iberdrola does not believe there are risks of violation of these rights for the Group's workers.

Information regarding suppliers can be viewed in the "Supplier Human Rights Assessment" Aspect in this chapter.

Aspect: Security practices

Management Approach

The *Security Policy* approved by Iberdrola's Board of Directors and the procedures adopted by the Corporate Security Division are compatible with international human rights provisions and with the laws of the countries in which the Company is present.

Protocols are clearly defined and implemented in line with the certification issued by Aenor in 1999 based on the ISO 9001:2008 standard, which is still in effect.

The hiring of suppliers in the security area is carried out through the Procurement Division pursuant to contracting procedures at the corporate level. The Corporate Security Division is responsible for setting the requirements and standards to be met by suppliers in order to be hired and for the evaluation thereof during the performance of their contract. Evaluations of suppliers are carried out periodically and are intended to identify points for improvement, which are dealt with by the suppliers themselves.

Both the Company's own and subcontracted personnel are qualified for their duties and enhance their knowledge with a strict *Training Plan*, which entails the continuous evaluation and monitoring thereof. Internal and external audits conducted for such purpose provide information on the status of security and personnel involvement at each work centre, detecting strong points and strengthening weaker ones. In addition, in order to have an objective viewpoint, a satisfaction survey is carried out each year to help determine perception of the security status.

Security-related actions at Iberdrola relate to the provision of both preventive and reactive services, which seek to ensure the protection of its assets and the normal conduct of the Company's activities, without interfering with the mission of government authorities. Security personnel working at Iberdrola, whether

Iberdrola's own employees or subcontracted personnel, avoid the use of force, employing it only and exclusively where strictly necessary and always in proportion to the threat received, in order to protect life.

By implementing specific security procedures for each situation, Iberdrola's *Security Policy* facilitates adjustment to the realities and characteristics of the countries in which it operates, exercising direct responsibility in those cases where it is a majority equity holder, as well as in those where management has been entrusted to it.

Iberdrola's security management system is continuously reviewed and updated in order to comply with international human rights provisions in each new activity that it plans to undertake.

G4-HR7 Percentage of security personnel trained in human rights policies or procedures that are relevant to operations.

Persons carrying out security activities (no.)	2015[59]	2014	2013
Basic boundary			
Company personnel	110	90	90
Subcontracted personnel	1,121	1,091	1,350

At the end of financial year 2015, Iberdrola has 110 persons in its workforce to carry out security activities; 100 of them, i.e. 90.91%, have received human rights training.

Iberdrola also draws on the services of specialised firms, which are responsible for providing the specific training required by its professionals to carry out the work entrusted to them. In financial year 2015, 1,121 subcontracted persons did this type of work, of which 792 (70.65%) received human rights training.

59 Does not include those relating to the former UIL Holdings Corporation since its merger into Avangrid in the United States on 16 December 2015, as they are still not recorded in the corporate systems, which does not distort the comparability of the information given the small impact involved in the 15 days of integration within the Group.

Aspect: Indigenous rights

Management Approach

In applying the *Code of Ethics* and its corporate policies (especially the *Policy on Respect for Human Rights*), Iberdrola and its employees undertake to respect the rights of ethnic minorities and indigenous peoples in the places in which they carry out their activities. To this end, the management approaches described at the beginning of this chapter are applied.

G4-HR8 Total number of incidents of violations involving rights of indigenous people

There is no evidence of actions of Iberdrola entailing a violation of the rights of indigenous communities in 2015. There have been or there may be indirect incidents involving these types of communities at some of the Company's facilities, for which the Company is pursuing appropriate solutions.

In the United States[60], the operation of wind farms in the state of Washington might affect the *Yakamay* Indian tribe, and the construction of wind farms in the states of Oregon and California might affect the *Umatilla* and *Kumeyaay* Indian tribes, respectively. Cooperation agreements are established with all of them to adopt the most appropriate solutions in each case, with no incidents having been reported in 2015.

In Brazil, there is evidence in the year 2015 of an incident occurred at the end of financial year 2014 relating to complaints lodged by indigenous peoples in connection with the quality of water, deriving from construction work at the Teles Pires hydroelectric plant. In this regard, it should be noted that the Limnological and Water Quality Monitoring Programme (*Programa de Monitoramento Limnológico e da Qualidade da Agua*) had already been implemented as a preventive measure during the prior financial year, in order to record any alteration in water quality, together with other control and mitigation measures. The proceeding went on during this financial year and is still active, and the assessment experts have already been appointed.

Also in Brazil, Coelba has various substation and distribution grid construction projects on indigenous land, in one of which an environmental proceeding is still active in connection with manipulation of vegetation that has not affected the indigenous population, with no complaints having been received from the National Indigenous Foundation (*Fundación Nacional del Indio - Funai*)[61].

It is interesting to highlight that programmes or initiatives have been implemented in Brazil that favour access to electricity by indigenous communities without it; a more detailed description thereof is included in the "Product Responsibility" chapter within the "Access to electricity" Aspect.

60 Incidents relating to the former UIL Holdings Corporation since its merger with Avangrid in the United States of America on 16 December 2015 are not included, as they are not yet recorded in the corporate systems.

61 Brazilian governmental body that establishes and administers policies relating to indigenous peoples.

Aspect: Assessment of impact on human rights

Management Approach

G4-HR9 Total number and percentage of operations that have been subject to human rights reviews or impact assessments.

Information regarding locations of operations analysed for human rights issues can be viewed in the G4-HR4 / G4-HR5 / G4-HR6 indicator of this chapter.

Aspect: Supplier human rights assessment

Management Approach

G4-HR10 New suppliers that were screened using human rights criteria

G4-HR11 Human rights impacts in the supply chain

The management approach regarding the Iberdrola Group's supply practices is described in the G4-12 "Description of supply chain" indicator of this report.

New suppliers are evaluated according to such management approach, and their significant risks regarding human rights are managed through the quality processes and procedures implemented and through periodic audits.

The Group's contracting terms for procuring equipment, material, works, and services, available at www.iberdrola.com, and the contracts currently used for procuring fuel, include specific supplier corporate social responsibility clauses based on the UN *Universal Declaration of Human Rights*, the conventions of the International Labour Organization, the principles of the Global Compact, and compliance with the *Suppliers' Code of Ethics*.

Suppliers thus commit to the principles of social responsibility. During the term of the contract, the supplier must allow Iberdrola to review the level of compliance with the principles established in the contracts, and if noncompliance is detected and corrective plans are not adopted, the Company reserves the right to cancel the contracts. Iberdrola has not recorded through its ethics channels violations of this kind in its supply chain during financial year 2015.

Approximately 10.83% of general procurement and approximately 47% of fuel purchases have been made in countries in which Iberdrola believes there might be a risk of human rights violations. The standards used to identify countries at risk are the same as those described in the G4-HR4/G4-HR5/G4-HR6 indicator of this report.

In the management of suppliers and during the procurement process, the measures adopted by the Company to protect such rights are based on the *Procurement Policy*, the *Suppliers' Code of Ethics*, and the specific clauses of the contracting conditions attached to the orders made.

Aspect: Human rights grievance mechanisms

Management Approach

The grievance procedures and tools that Iberdrola makes available to its Stakeholders, as well as the management processes with respect thereto, are described in the management approach of the "Grievances about impacts on society" Aspect of the "Society" section of this report.

G4-HR12 Human rights grievances

Indicator G4-HR3 of this chapter sets forth incidents relating to discrimination in 2015. During such financial year, Iberdrola has not received any complaint regarding other aspects relating to human rights through the channels established for this purpose.

Specific Aspect of the Iberdrola Group

Aspect: Iberdrola and the Global Compact

Management Approach

Iberdrola has been a member of the Global Compact since 2002, undertaking to support, promote, and disseminate its ten principles regarding human rights, labour practices, the environment, and the fight against corruption, both internally and within its area of influence. During these years, the Company has continued to further develop the policies and practices proposed by the Compact, which it has made public through its annual sustainability report and its corporate website.

Since 2004, as a founding member, the Company has belonged to the Asociación Española del Pacto Mundial (Spanish Global Compact Association - Asepam), now re-named the Red Española del Pacto Mundial (Global Compact Network Spain) and has prepared progress reports on compliance with the principles of the Compact, which are publicly available both on the website of the Red Española del Pacto Mundial and on the Global Compact website.

During 2015, Iberdrola participated in the following actions in connection with the Global Compact:

– Submission of the Progress Report 2014 on compliance with the principles of the Compact, rated at the highest level for this type of report ("GC Advanced").

– Attendance at the 2015 General Assembly of the Red Española.

– Member of the Executive Committee of the Red Española.

– Participation in Executive Committee working groups.

– Participation in the commemoration of the 15th anniversary of Global Compact and during the visit of United Nations Secretary-General Ban Ki-moon to the Red Española del Pacto Mundial.

In 2016, Iberdrola plans to actively participate in the activities of the Red Española del Pacto Mundial in a manner similar to the past financial year.

C3. Society

The indicators analysed and reported on in this chapter are the following:

Aspects of the GRI-G4 Guidelines

(Those indicators that require additional information per the electric utilities sector supplement are identified with (*))

Local communities (*)
Anti-corruption
Public policy
Anti-competitive practices
Compliance
Supplier assessment for impacts on society
Grievance mechanisms for impacts on society

Specific Aspect of the GRI-G4 Electric Utilities Sector Supplement

Disaster/emergency planning and response

Specific Aspect of the Iberdrola Group

Iberdrola's contribution to the community

The information boundaries used in this chapter are defined in indicator G4-17 of this report.

Aspect: Local communities

Management Approach

Local communities

Iberdrola maintains a policy of strong involvement in the communities in which it operates, making a contribution to society that is based on the main features of its own business activities: the supply of an essential product like energy, significant investments in basic infrastructure, promotion of local supplier networks, creation of qualified job positions, etc., with the intention of being a long-term investor in the economies in which it has a presence, in order to generate sustainable economic and social value.

Iberdrola's commitment to the countries in which it operates is actualised both through social actions in cooperation with governments, institutions, and civil society organisations, as well as through sponsorships and patronage. The Company is involved in the local communities where it operates, through action programmes aimed at the socioeconomic development of the environment, energy sustainability, art, culture, education, training, development cooperation, and community service.

Social actions to benefit local communities take place in various complementary ways:

– Directly by Iberdrola, through the International Institutional Relations Division.

– Directly by its subsidiaries or affiliates, in their respective areas of activity.

– Sponsorship and patronage activities, primarily through Fundación Iberdrola in Spain, The ScottishPower Foundation in the United Kingdom, the Avangrid Foundation in the United States, and Instituto Elektro in Brazil.

– There are also two other organisations in the United Kingdom with a philanthropic purpose: The ScottishPower Energy People Trust and The ScottishPower Green Energy Trust, which carry out activities in their specific areas of competence.

Stakeholder participation in the decision-making process

Within Iberdrola's field of activity, energy planning (energy sources, technology, and long-term needs) is carried out by governmental authorities; this is the institutional area in which the various Stakeholders can participate in accordance with the mechanisms established in each country. Iberdrola plays an active role in these processes, expressing its points of view and making its knowledge and experience available to governments.

Once the most appropriate infrastructure is selected, the viewpoints of the affected communities are taken into account through consultation processes, which vary depending on the country and the type of facility. All these processes, which are included in the facilities' impact assessment studies, are regulated, and they are determining factors in order to secure the construction and operating permits for the power plants; in addition, they are frequently completed with processes voluntarily performed by the Company.

Thus, during the planning and development of assets, prior consultations are held and an active dialogue is maintained with the affected communities and interested parties in order to identify and address any concerns or areas of interest. In every project, relations are established with local authorities, communities, and any other groups that may be relevant to the project. Information concerning the planned development is presented through newsletters, exhibitions, presentations, meetings, the Group's websites, etc. There are also e-mail addresses to allow local communities to communicate with the Company during the process and, in some cases, public information days are held for such purpose.

By way of illustration, set out below are some of the activities conducted by Iberdrola in this field:

– In the Wholesale and Retail Business, from the commencement of the Támega river hydroelectric project in Portugal, the activities making up a project dissemination and communication plan were established and implemented involving both the government and universities and other entities of local and regional interest. Similarly, during the construction of the main works and of all supplemental projects (accesses, electric power lines, substations, rubbish dumps, works facilities, etc.), the alternatives that provide a reduction in social impact relating to the population centres, families, and areas affected by the reservoirs have always been considered, and the location of a few facilities has even been changed; in the United Kingdom, communication strategies have been established for the development of the new Damhead Creek and Avonmouth combined cycle gas turbine plants. The channels established include newsletters, exhibitions, face-to-face meetings, and information on the www.scottishpower.com website.

– In the Networks Business, various actions, above and beyond the statutory obligations established in each country, are established for large-scale projects in order to provide information to affected social groups. In Spain, for example, informational meetings are held at the request of various social groups, at which the main features of the planned facility are described; particularly worthy of note in the United Kingdom is the change towards an organisational model in which key decisions of the projects are made by local company teams, in order to ensure that the interests of the local community are taken into account; or ScottishPower's *The Stakeholder Liaison Group* consultation forum in the Dumfries and Galloway communities (where construction of a new transmission line is planned), which continues to meet regularly and to organise events and meetings with the various Stakeholders, ensuring that the community is involved in the definition of the line; in the United States, where work continues on the large-scale project to upgrade and expand the distribution infrastructure in the state of Maine ("*Maine Power Reliability Program*"), a conflict resolution process has been established, in which any unresolved problem is sent to an Ombudsman, who acts as an independent mediator in the resolution of the dispute.

– In the Renewables Business, from the commencement of the award of a new project, the various Stakeholders are informed of the progress thereof and of the benefits of the new infrastructure and its operation. To that end, in every country in which it has a presence, the Company uses different communication channels such as informational and consultation meetings with Stakeholders, which may be community associations, NGOs, or citizens, informational campaigns through the local media, or public hearings. In the United States, consultations are held with federal environmental agencies for the implementation of their recommendations, such as the consultation with the Oregon Department of Fish and Wildlife to mitigate the impact of the possible construction of a solar plant, or the longest possible extension of the deadlines established by the government in the United Kingdom to ensure that the questions and complaints of the affected social groups will be dealt with.

– The same kind of consultation procedure is carried out in the construction of affiliated hydroelectric plants in Brazil, including, for example, consultations at the Baixo Iguaçu plant, the establishment of two information points, regular visits to the affected families, receiving opinions, questions, and complaints, and providing replies to the most frequently asked questions; at the Teles Pires plant, in addition to having employees who have a direct relationship with local communities, a workshop is held every year for the municipalities of the area served by the project, where the results of the social and environmental programmes and the progress of the project are described; at Belo Monte, since the inception of the project in 2011, over 420 meetings have been held with approximately 25,000 participants, 227,000 communication items have been distributed, and around 17,000 calls have been received.

Management of population displacements

In the development of electricity infrastructure, there may be specific projects that involve displacing individuals living nearby or affecting their economic activities. In such cases, Iberdrola and the relevant government administrations review the economic, environmental, and social consequences of such projects, and jointly adopt suitable corrective measures. Iberdrola believes that such processes ensure the protection of general interests in the countries where these impacts occur.

G4-SO1 Local community engagement, impact assessments, and development programmes
G4-SO2 Significant negative impacts on local communities

Assessment of impact

Iberdrola believes that the impacts of the start-up of electric power generation plants are relevant with respect to this aspect. In the countries in which the Company develops these types of facilities, applicable laws require the performance of studies assessing the impact on the environment and the community, and such studies must be approved by the competent public authorities. Iberdrola believes that these studies are appropriate to safeguard the rights of communities, as they include the most significant issues for the affected areas.

These studies include an evaluation of the environment providing a review of environmental impacts such as emissions, effluent, waste, changes in land use, changes in landscape aesthetics quality, etc. They also include an evaluation of the socio-economic environment, which reviews demographic aspects such as changes in population in neighbouring municipalities, economic sectors that are present in the region, basic infrastructure such as railway and road networks, and historic and cultural heritage, along with the growth in job demand in certain sectors, which is seen as a positive impact.

The impacts detected at the various types of facilities developed by Iberdrola are similar at the various sites at which they are implemented, and none of them are noteworthy for significant negative impacts. Consultation with and participation of both the affected government administrations and interested parties are usually guaranteed during the performance of these studies, and part of the documentation of the project is subject to public review for a period of time that varies according to the law applicable in each country. The viewpoints of the Stakeholders consulted are thus taken into account in defining the future project.

These studies also contemplate the preventive and corrective measures required to mitigate the impacts identified, and if necessary, the appropriate budgetary allocations to comply with the commitments assumed are included.

To conclude the process, programmes are implemented to monitor the various aspects identified. The effectiveness of the programmes is reviewed by means of internal and external audits, as well as by the management team. For example, in the case of nuclear plants, an Environmental Radiological Monitoring Plan is prepared to control and monitor the impacts of the facility during the operation thereof.

Most facilities have an integrated quality and environmental management system, the principal goal of which is to foster continual improvement in the results of the organisation's activities with respect to the environment, in addition to compliance with environmental laws.

Iberdrola prepares information and plans for the closure and decommissioning of facilities in accordance with applicable law and informs the workers' representatives thereof.

Development programmes for local communities

Iberdrola takes various types of actions to minimise, mitigate, and offset unfavourable socioeconomic impacts that might be caused by its facilities. Local communities benefit from these measures, which are usually established and agreed on with local authorities. They include: improvements in communication infrastructure, water supply, or roadways; public lighting; creation of direct and indirect employment; professional training courses; activities to support entrepreneurs; opening of communication processes with various Stakeholders; protection of biodiversity and the restoration of areas, etc.

Particularly worth noting is the development of new offshore wind farms, in which socioeconomic aspects are taken into account during the planning stage so as not to affect other economic activities, particularly fishing activities. To that end, regular meetings are held with fishermen, involving them in decision-making

concerning safety conditions for fishing within the wind farm, as well as regarding other technical aspects of the construction thereof. Joint work is also carried out during the preparation of environmental impact assessments on fish stocks and the establishment of measures to offset such impact. In addition, the Company contributes financially to the development of sustainable fishing projects. Measures are also implemented at onshore projects to assess their impact on the development of local communities. For instance, in the United States, a detailed report on the socioeconomic impact of the Twin Buttes 2 wind farm in terms of job creation and tax contribution was prepared to obtain the wind farm permits.

Similarly, during the construction of affiliated hydroelectric plants in Brazil, actions to support municipalities are planned in accordance with the provisions of the *Basic Environmental Plan (Plan Básico Ambiental)* in different areas such as health, education, safety, tourism, etc. For example, at the Belo Monte plant, social monitoring campaigns have been carried out since 2011, covering more than 6,000 families, which have identified significant growth in the family development index, particularly as regards access to knowledge, housing, and work.

A more detailed description of these activities can be found in the "Indirect economic impacts" Aspect of the "Economic Performance" chapter of this report, as well as in the last section of this chapter "Iberdrola's contribution to the community".

EU22 People physically or economically displaced and compensation

Iberdrola is currently developing various plants in Portugal and Brazil that involve displacements of population:

– In the construction of the Támega hydroelectric complex, in Portugal, it is expected that there will be displacement of some families and the occupation of pathways and farmland, the determination and quantification of which is at the stage of evaluation and approval by the Portuguese government within the scope of the construction project. The compensation required will be provided on the basis of the Socioeconomic and Cultural Action Plan approved in September 2015 and the methodology for the feasibility study of the affected areas, which involves field work together with the population and city councils in order to determine by mutual agreement in each case whether the relocation or compensation of the affected families is necessary.

– In Brazil, some of the new projects, both for hydroelectric development and for wind farms, may cause population displacements or interfere with their economic activities. This social and environmental impact is evaluated during the preparation of the environmental impact assessments, and compensation measures are proposed, which are then presented to the interested parties and negotiated with them.

The Tele Pires hydroelectric plant, which came on-stream in 2015, has prepared a Compensation Programme for loss of land and mandatory displacement of the population. The primary purpose of such programme is to supervise the restructuring process of the affected population from the standpoint of economic sustainability and the environment. Construction of the plant has entailed acquisition by the Company of 103 properties, affecting 219 family units in the financial year, with only one of the families having had to be relocated and compensated, given that most of them did not live in the properties in question. Similarly, since 2011, the Hydroelectric Company is developing a Socioeconomic Monitoring Sub-programme to monitor indicators that are sensitive to changes in the demand for public services and social equipment stemming from the implementation of the plant, which makes it possible to assess the effectiveness of the mitigation actions taken and to address any shortcomings.

Along these lines, in the case of the Belo Monte plant, the socioeconomic compensation contemplated in the respective studies and in the *Assistance Plan for the Affected Population (Plan de Ayuda a la Población Afectada)* continues to be implemented. In 2015, 9,656 families were relocated between urban and rural areas, and plans are in place for the relocation of approximately 440 more families. Family and

neighbourhood ties are respected in the relocation process, and the option of a related move (*mudanza vinculada*) is made available. Vulnerable families are offered social and psychological assistance and training for employment. The new neighbourhoods are being provided with social health, education, leisure, and social service equipment to serve the population. As regards commercial activities, 592 businesses were compensated in 2015; they were monitored at the new locations and training and guidance actions were provided.

In the case of the Baixo Iguaçu plant, plans are still in place to compensate or relocate approximately 520 families over the next two years, since negotiations with the affected families were temporarily suspended in 2015 owing to a standstill in activities. These negotiations are expected to resume in 2016. The relocation of such persons to new areas is made in such a way as to allow them to continue with their agricultural activities. In order to gradually provide the most appropriate solutions for each case, a social support process will be implemented, which will provide technical support during the three years following relocation, and there is a commission formed by the affected municipalities, rural trade unions, the affected parties, and the Company.

In the Renewables Business in Brazil, 10 persons have been compensated for displacement as a result of the development of the Calango 6 wind farm, and 43 persons are to receive compensation for highway and transmission line rights-of-way through their property. One of the owners of the land on which the wind farm is built at Caetité has also been compensated because he claimed that his agricultural production had been damaged as a result of the Company's activities.

Aspect: Anti-corruption

Management Approach

The Group's firm commitment to fight corruption and to establish mechanisms to ensure the existence of a culture for preventing irregularities is reflected in such documents as the Group's *Code of Ethics* and *Crime Prevention and Anti-Fraud Policy*, both of which have been approved by the Board of Directors.

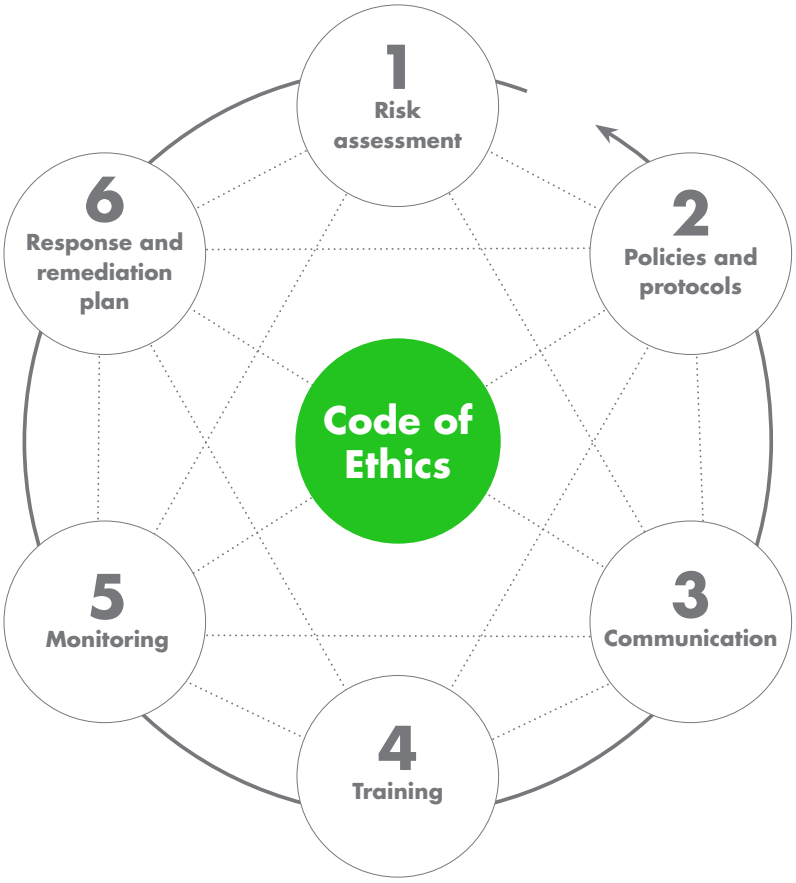
Within the framework of the compliance system, various programmes are implemented to encourage the organisation to act in accordance with the most stringent ethical standards and in accordance with applicable laws and regulations. These programmes, promoted by the Compliance Unit in the exercise of the powers assigned to it in its Regulations, are included in the *Crime Prevention Programme* and the *Programme for Compliance with the Code of Ethics* within the Group.

In order to develop the *Crime Prevention and Anti-Fraud Policy*, the Company, through the Compliance Unit and other appropriate bodies, has implemented a specific and effective programme for preventing the commission of crimes (as a set of measures focused on the prevention and detection of and reaction to possible crimes), which also extends to the prevention and control of other frauds, administrative infractions, and serious irregularities, all within the framework of the process of review and adjustment to the new duties imposed by the Spanish Penal Code following the inclusion of the criminal liability of legal entities, without prejudice to the laws and regulations applicable in any other jurisdiction in which the Company does business.

In addition to the foregoing, the Compliance Unit promotes the development and maintenance of a programme for compliance with the *Code of Ethics*, the main goal of which is to foster a culture of corporate ethics and transparency, disseminating the principle of "zero tolerance" with respect to fraud and promoting mechanisms and actions to prevent corruption and fraud.

This programme is part of the Compliance System, is articulated on the same basis, and contains the same elements as those set forth in the *Protocol against Corruption and for the Prevention and Correction of Illegal or Fraudulent Conduct* approved by the Unit.

The *Code of Ethics* is the "cornerstone" on which this programme is based and permanently functions as an element "inspiring" the other elements thereof, which are shown in the following:



These elements include: i) the regular assessment of risks, ii) the development and maintenance of rules and guidelines on activities of the professionals of the Group regarding expected, appropriate, and proper conduct, iii) the preparation of communication, dissemination, and training plans for employees and third parties with which we have relationships, and iv) control and detection mechanisms, as well as mechanisms for responding to situations that deviate from acceptable conduct guidelines.

All activities conducted in the Group within this programme are monitored by the Unit on a quarterly basis through the "*Global Compliance Scorecard*" in which the compliance division of each country subholding company and/or head of business company of the Group reports to the Unit each quarter, within the framework of the *General Coordination, Cooperation, and Information Protocol* approved by the Unit, on a number of monitoring indicators established with respect to the main items that make up the compliance programme of the respective companies.

As a further indication of this commitment, during financial year 2015 Iberdrola joined the Partnering Against Corruption Initiative (PACI), a platform through which leaders belonging to the World Economic Forum undertake to promote business conduct and practices designed to fight corruption within their organisations and to make such commitments binding on the third parties with whom they engage.

G4-SO3 Business units assessed for risks related to corruption

One of the main elements of the *Programme for Compliance with the Code of Ethics* is the performance of periodic and continuous risk assessments. The purpose of such assessments is to identify situations, factors, or actions that could be exposed to irregular acts or to situations of corruption or fraud.

The Compliance Unit develops a dynamic review and updating process for the risks mentioned in the preceding paragraph and establishes review mechanisms and tools to determine the perception of fraud risks by officers and professionals with key responsibilities within the Group, while monitoring the potential factors of exposure to the risk of corruption on an ongoing basis.

This process involves the main corporate areas, and it is applied to the countries and businesses in which the Group operates through the Compliance Divisions of the country subholding companies and head of business companies. All of this is done following guidelines established by the Unit, which each Compliance Division adjusts and develops at its respective company in accordance with the specific object and activities thereof.

This evaluation is used as a starting point to determine the most effective prevention and control measures and thus allow for the appropriate allocation of resources and efforts to those areas or factors identified as potentially at risk. Accordingly, the aforementioned risk assessment constitutes a tool upon which various actions are based and which are included within the other elements of the *Programme for Compliance with the Code of Ethics*.

Review of the provision of general supplies in countries presenting a risk of corruption

Purchases by Iberdrola in countries presenting a risk of corruption were reviewed following the publication of Transparency International's Corruption Perception Index 2015 (TI CPI 2015); the results are shown in the table below:

Corruption risk[62]	% of purchases in countries on the CPI Index 2015	% of purchases in countries on the CPI Index 2014	% of purchases in countries on the CPI Index 2013
Low	61.7	88.9	57.1
Medium	28.1	0.2	29.6
High	10.2	10.9	13.3

The countries with a high risk of corruption in which purchases were made from suppliers registered there are mainly Mexico and Brazil.

Iberdrola has not made any purchase of general supplies in tax havens.

In supplier management and during the procurement process, the measures adopted by the Company to protect against this risk are based either on the *Procurement Policy* or the *Suppliers' Code of Ethics* and on the specific clauses included in the contract terms attached to the orders issued.

62 Low risk: country index ≥60 / Medium risk: 59-50 / High risk: < 50 on a scale of 0 (perception of high corruption levels) to 100 (perception of low corruption levels).

G4-SO4 Training and communication on anti-corruption policies and procedures

The development of effective communication and training plans is one of the key elements of Iberdrola's Compliance System to achieve its main goal, which is to promote a culture of corporate ethics and transparency and to prevent irregular or fraudulent conduct.

Along these lines, the principal powers of the Compliance Unit include those of promoting the preparation and implementation of suitable training programmes, both in-person and online or by any other appropriate method, for the professionals of the Group regarding the duties imposed by the *Code of Ethics* and the *Crime Prevention and Anti-Fraud Policy*.

With this goal in mind, the Unit prepares and approves training and internal communication plans and actions, which are reported to the Human Resources and Corporate Communications Divisions, respectively, for implementation in accordance with the overall plans of the Group.

The following recent or ongoing initiatives for purposes of awareness-raising and in the area of ethics and prevention of corruption deserve particular mention:

– In coordination with the various country subholding companies and/or head of business companies, the Unit develops and regularly updates training programmes on the *Code of Ethics* for all Group professionals. Such programmes include both development of online training and preparation of in-person initiatives that foster knowledge of the action standards required at the Group and promote the ethical values and the principle of "zero tolerance" towards the commission of unlawful acts and situations of corruption and fraud among professionals.

– In addition, during the year, at the companies of the Group having their registered office in Spain, an online training course was held for all professionals of those companies on the content and controls of the Crime Prevention Programme implemented at each company, as well as on the new developments stemming from the recent reform of the Spanish Penal Code.

– At ScottishPower, training is provided periodically on the UK Bribery Act and obligations under the *Anti-bribery and Corruption Policy (ABC Policy)* of such company, as well as on the related regulations approved by its Board of Directors. Within this context, an online course on this subject was launched during the financial year for those professionals who, because of their work, are more exposed to corruption factors.

– At Elektro, as a result of the approval in Brazil of Decree 8,420/15 implementing Law 12,846/15 ("Lei da Empresa Limpa") in March 2015, training and dissemination workshops were held for the management team and for professionals in general.

In addition to the aforementioned initiatives and as part of the training and awareness-raising plans promoted by the Unit, various specific programmes and actions tailored to specific groups of professionals are established, which include awareness-raising plans for officers and middle management. Such programmes highlight their key role in maintaining an effective compliance system, leading with integrity, and being familiar and familiarising their teams with the *Code of Ethics* and with applicable rules and regulations in the conduct of their activities.

G4-SO5 Incidents of corruption

The Compliance Unit has not been advised, through the established ethics channels, of any court decisions relating to cases of corruption during the reporting period. There were also no incidents reported through the channels established for such purpose resulting in the cancellation of orders or of contracts with Group suppliers.

During 2015, the Integrity Vice Presidency ("INT") of the World Bank approved the negotiated resolution agreement signed by Iberdrola Ingeniería y Construcción and Iberdrola S.A. (the "Agreement") ending the proceeding stemming from the omission by Iberdrola Ingeniería y Construcción of the information relating to a commercial agent in two bids submitted in 2004 and 2005 for projects in Albania, which constitutes a fraudulent practice under World Bank regulations.

Under the terms of the Agreement, Iberdrola Ingeniería y Construcción and its subsidiaries (the "Sanctioned Subsidiaries") are disqualified from participating in projects of the World Bank Group for a 12-month period, until 26 May 2016. Upon expiration of the disqualification period, Iberdrola Ingeniería y Construcción and the Sanctioned Subsidiaries will conditionally become non-disqualified entities for a further 6-month period. During such period, Iberdrola Ingeniería y Construcción and the Sanctioned Subsidiaries may once again enter into agreements with World Bank Group entities, provided the terms of the negotiated resolution agreement are observed.

Aspect: Public policy

Management Approach

Iberdrola has two kinds of relationships with regulatory entities:

– Relationships geared to the enactment of efficient regulatory provisions allowing for the development of a competitive market in activities that are not subject to a natural monopoly, and sufficient remuneration for regulated businesses. To that end, there is a continuous and constructive dialogue where information, knowledge, and positions are exchanged. Iberdrola is thus acquainted with the concerns and proposals of regulatory entities and provides them with its own positions in the legitimate defence of its interests and those of its shareholders and customers. It also actively participates in "public hearings" held by regulatory entities in order to ascertain the opinions of the players involved in the processes prior to the revision of regulations or the determination of domestic and European energy policies. It also participates in the official processes of enactment of the laws and regulations and the monitoring of the application thereof.

As a general rule, Iberdrola works for the approval of and respect for the principles of good regulation: proportionality, effectiveness and efficiency, responsibility and independence, consistency, and credibility, and, finally, transparency and clarity. As regards specific matters of energy regulation, it champions, among other things:

- Creation of the European single market.
- A sustainable energy model, giving priority to lower-emission energy in a manner consistent with market principles.
- Full liberalisation of activities relating to generation and end supply, including the elimination of regulated end rates.
- Reasonable profits and sufficient rates for regulated activities.
- Clean electricity rates of costs not related to supply (additional non-mainland costs, annual rate shortfall payments, subsidies for domestic coal, premiums for renewable energy, etc.).
- Achievement of competitive supply, which requires an appropriate environmental cost allocation among all energies, following the "polluter pays" principle. Climate actions need to be financed by all polluters.
- Establishment of mechanisms supplemental to the *energy only market*[63] that make it possible to achieve the long-term supply security target level. Capacity payments must be developed that are sufficient to maintain existing back-up plants and to attract new investments.

63 English term used to refer to the pure energy market, where only generated energy is remunerated, and the service that provides installed capacity to the system to ensure security of supply is not.

• A CO_2 price that provides a signal incentivising investments in both low-emission generation and in energy efficiency measures, which will allow for progress in the decarbonisation of the European economy.

• Smart grids offer consumers a wide array of possibilities, and must therefore be appropriately promoted and remunerated.

• All customers, whether self-consumers or not, must receive transparent bills and contribute equitably both to network costs and to the costs of environmental policies.

• Introduction of measures to protect vulnerable customers and elimination of all kinds of cross subsidies among energy customers.

– Provision of all information required by regulatory entities, whether in connection with the normal conduct of its business or as a result of any transitory issue.

In addition to its direct relationships with regulatory entities, Iberdrola and the companies in its Group participate in the regulatory process through the domestic and international trade associations of which they are members.

As regards lobbying activities, Iberdrola is registered with the Transparency Register, created by European institutions to give adequate transparency to the relations of such institutions with companies, NGOs, citizens' associations, think tanks, etc. The register was created by the European Parliament and the European Commission, and the Council of the European Union supports the initiative. Iberdrola's record in such register can be found at

http://ec.europa.eu/transparencyregister/public/consultation/displaylobbyist.do?id=41816938101-07.

In its activities to influence public policies, the former Iberdrola USA has made the financial contributions shown in the US register http://soprweb.senate.gov/index.cfm?event=selectfields.

G4-SO6 Contributions to political parties or to related institutions

Iberdrola has a neutral position from a political standpoint. In financial year 2015, none of the Group's companies, except in the United Kingdom and the United States, contributed to the financing of political parties or organisations controlled by them.

Contributions to political parties (€)	2015	2014	2013
Expanded boundary			
United Kingdom	27,540	26,032	23,554
United States	101,963	131,327	28,057
National level	62,315	75,566	6,779
State level	39,648	55,761	21,278
Other countries	0	0	0
Total	129,503	157,358	51,611

In the United Kingdom, ScottishPower contributed a total of 27,540 euros, distributed among various parties across the political spectrum, to sponsor conferences and events, pursuant to the *Political Parties, Elections and Referendums Act (2000)*. These occasions are an important opportunity for the Group to

present its viewpoints to representatives of all political options on a non-partisan basis. The contribution does not involve supporting any particular party.

In the United States, all the subsidiaries of the current Avangrid contributed 101,963 euros in the aggregate. Specifically, in the Networks business, the former Iberdrola USA and its subsidiaries CMP, NYSEG, and RG&E made contributions to candidates and political parties in the total amount of 91,607 euros, and reported such contributions in accordance with applicable laws. In addition, the Renewables Business made contributions totalling 10,356 euros. In both cases, the contributions are those made by the Company and do not include additional voluntary contributions made by employees.

Aspect: Anti-competitive practices

Management Approach

Pursuant to the *Code of Ethics*, the Group undertakes to compete fairly in the market and not to engage in advertising that is misleading or denigrates its competitors or third parties. Furthermore the Group undertakes to obtain information lawfully, to promote free competition for the benefit of consumers and users, and to promote transparency and free market rules, as provided in the *Group's General Corporate Social Responsibility Policy*.

In the practical application of applicable law, the complexity thereof might give rise to interpretations that are not shared by other market players or by the regulatory authority itself, giving rise to situations such as those described in G4-SO7 requiring the intervention of the competent courts.

G4-SO7 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

In March 2007, the National Competition Commission (*Comisión Nacional de la Competencia* - CNC) issued a ruling imposing a fine of 38,710,349 euros against Iberdrola Generación, S.A.U. for the alleged offence of abuse of dominant position stemming from the operation under the technical restriction system of group 3 of the Castellón Power Plant and of groups 4 and 5 at Escombreras. A contentious-administrative appeal against this ruling was lodged with the National High Court (*Audiencia Nacional*). An appeal in cassation (*recurso de casación*) was filed against the rejection of the appeal by the National High Court, which was also rejected. The petition for "*amparo*" (petition for the protection of constitutional rights and liberties) filed against this rejection was declined by the Constitutional Court. Iberdrola Generación, S.A.U. filed an appeal with the European Court of Human Rights on 4 April 2013, and Iberdrola Generación, S.A.U. was notified that the appeal had been dismissed in May 2015.

On 2 April 2009, the National Competition Commission, now known as the National Commission for Markets and Competition (*Comisión Nacional de los Mercados y la Competencia* - CNMC) issued a Ruling in a proceeding commenced as a result of a complaint filed by the retail energy supply company Céntrica Energía, S.A. (concurrently with the complaint filed by such company against the other distributors belonging to vertically integrated groups) charging Iberdrola Distribución Eléctrica, S.A.U. with an alleged infringement of the Competition Defence Act (*Ley de Defensa de la Competencia*) consisting in an alleged abuse of dominant position in connection with the refusal to provide to such retail energy supply company widespread and unconditional access to its distributor points-of-supply information system (*sistema de información de puntos de suministros* - SIPS). The decision, imposing a 15,000,000 euro penalty, was challenged before the National High Court, which dismissed the contentious-administrative appeal that was filed, by Judgment of 17 May 2012. A constitutional petition for relief was filed against such decision with the Supreme Court which was dismissed by Judgment dated 10 June 2015. A petition for "*amparo*" was filed with the Constitutional Court on 10 December 2015.

In 2010, Céntrica Energía, S.L. filed a claim with Commercial Court No 1, in Bilbao, claiming 11,900,000 euros in purported damages, precisely on the basis of the aforementioned penalty imposed by the CNC for alleged abuse of dominant position for having failed to allow widespread access to the points-of-supply database. Iberdrola Distribución Eléctrica, S.A.U. filed a defence opposing this claim on the grounds that the case was time-barred and, in any event, because it had strictly complied with applicable laws and regulations governing the industry and with the standards established by the National Energy Commission (*Comisión Nacional de Energía* - CNE) on this matter since 2002. Judgment was rendered for Iberdrola Distribución Eléctrica, S.A.U. on 16 July 2010, holding that the action was time-barred. This judgment was appealed by the opposing party to the Provincial Court of Biscay (*Audiencia Provincial de Vizcaya*), and a new judgment confirming the previous judgment was handed down on 27 July 2011. However, Céntrica Energía filed a constitutional petition for relief with the Civil Chamber of the Supreme Court that issued the Judgment of 4 September 2013 upholding such petition, rejecting the finding that the action was time-barred, and providing for a return of the proceedings to the Provincial Court of Biscay for a resolution on the merits. As a result of the foregoing, the Provincial Criminal and Administrative Court rendered Judgment on 28 March 2014 dismissing the complaint filed by Céntrica Energía, S.L. in its entirety and deciding on the merits of the case, holding, among other things, that the causal link between the conduct followed by the distribution company and the damages claimed has not been established. On 21 May 2014, Céntrica filed an appeal in cassation against the aforementioned Judgment with the Third Division of the Supreme Court.

On 5 and 6 November 2009, the Investigation Directorate of the National Competition Commission carried out an inspection of the headquarters of Unesa because a confidential case had been opened to investigate purported restrictive practices (concerted action) of the companies associated within Unesa. Unesa challenged the order of the CNC authorising the inspection, and on 22 December 2014 Unesa was notified of the decision of the Supreme Court dated 10 December 2014 nullifying the CNC's Order of Inspection and declaring the evidence obtained from such inspection to be invalid.

Furthermore, on 24 June 2009 the National Competition Commission commenced disciplinary proceedings under number S/0159/09, against a number of electricity distribution companies (including Iberdrola Distribución Eléctrica, S.A.U.) for conduct consisting of preventing, restricting, or distorting competition in the domestic electricity supply market. As a result of the inspection mentioned in the preceding paragraph, Unesa was charged in the disciplinary proceedings. In addition, on 30 April 2010, the Investigation Directorate of the National Competition Commission resolved to extend the scope of the proceedings to Iberdrola, S.A., among others, for the existence of a strategy of coordination in the electricity industry calculated, among other things, to obstruct a change in the retail electricity supply company.

On 13 March 2011, the Company was notified of the decision in this case, which imposed a penalty of 21,612,000 euros against Iberdrola, S.A. This decision was appealed to the contentious-administrative courts and the appeal was suspended due to a potential *bis in idem* (re-trial for the same offence) regarding the penalties also imposed on the distributors on such grounds. Upon learning of the 10 December 2014 decision of the Supreme Court referred to above, Iberdrola, S.A. attached it to this appeal, requesting the upholding thereof and a declaration of the invalidity of the sanction order due to a lack of evidence. On 25 March 2015, the National High Court rendered judgment, which became final and conclusive, upholding Iberdrola, S.A.'s contentious-administrative appeal and annulling the penalty because it did not conform to law.

The proceeding provided for in article 88(2) of the EC Treaty by the European Commission against Spain (State Aid C3/2007) continues in connection with the possibility of the regulated electricity tariff system being considered as state aid, which is forbidden under the Treaty, the beneficiaries of which would be end consumer companies, on the one hand, and electricity distribution companies, on the other hand. In these proceedings, which were commenced following a complaint filed by Céntrica, P.L.C. and Céntrica Energía, S.L., written comments of both UNESA and Iberdrola Distribución Eléctrica, S.A.U. were filed, with the defence focusing on the absolutely regulated nature of electricity distribution in Spain and the

absence of any advantage for distributors, compared with liberalised retail electricity supply companies, and considering, in short, that there was no forbidden state aid in favour of the former. In this case, which is limited to financial year 2005, a favourable outcome is expected with a declaration that there is no unlawful assistance as regards electricity distribution companies.

In addition to the complaints filed with the EC, Céntrica has also filed various appeals applying for the annulment of national tariff provisions recognising deficits in regulated activities, to the extent that no similar deficits are recognised for retail supply activities. Both the Supreme Court and the National High Court have resolved to postpone the dates for voting and rendering a decision on such appeals until the issuance of a European Commission resolution putting an end to the proceedings concerning State Aid C 3/2007, commenced as a result of Céntrica's complaint.

On 24 February 2012, the Company was served notice of the disciplinary resolution under file S/0213/10 of the National Competition Commission, which imposes on Iberdrola, S.A., Iberdrola Generación, S.A.U., and Iberdrola Comercialización de Último Recurso, S.A.U., jointly and severally, a penalty of 10,685,000 euros for the serious infringement of distortion of competition through unfair acts consisting of the transfer of contracts from the last-resort retail supplier to the liberalised retail supplier, without securing the express consent of the consumer required under industry regulations. In December 2013, notice was provided of the decision dismissing the contentious-administrative complaint filed by the three companies against the penalty. An appeal in cassation was filed against the dismissal on 26 December 2013, and the Company has not received notice of any judgment deciding on such appeal in cassation to date.

On 24 November 2015, the National Commission for Markets and Competition imposed a 25,000,000 euro fine on Iberdrola Generación, S.A.U. for purported fraudulent manipulation aimed at altering the price of electric power by increasing the offering prices of the Duero, Tajo, and Sil hydroelectric management units between 30 November 2013 and 23 December 2013. On 16 December 2015, Iberdrola Generación, S.A.U. filed a contentious administrative appeal with the National High Court requesting a provisional remedy suspending payment of the fine, which has been admitted for further processing.

No cases related to monopoly practices or anti-competitive behaviour have been recorded at the other companies of the Iberdrola Group.

Aspect: Compliance

Management Approach

As laid down in its By-Laws, Iberdrola aspires for its conduct and that of the persons connected therewith to conform and adhere not only to applicable law and its Corporate Governance System, but also to general accepted ethical and social responsibility principles. In this connection, the *Code of Ethics* of the Iberdrola Group provides that:

– Group professionals shall comply strictly with the laws in force in the jurisdiction of their workplace, heeding both the spirit and the purpose of such legal provisions, and shall observe the provisions of the *Code of Ethics*, the rules of the Corporate Governance System, and the basic procedures governing the activities of the Group and of the company in which they provide their services. They shall also fully observe all obligations and commitments assumed by the Group in its contractual relations with third parties, as well as the usage and good practice of the countries in which they carry out their activities.

– The officers of the Group shall have particular knowledge of the laws and regulations, including internal ones, affecting their respective areas of activity, and must ensure that the professionals reporting to them receive the required information and training to their legal and regulatory obligations.

– The Group shall respect and abide by all court and/or governmental decisions or resolutions that may be issued, but reserves the right to file such appeals as may be appropriate against any such decisions or resolutions when it believes that they do not conform to the law.

G4-SO8 Significant fines and non-monetary sanctions

Pursuant to the technical protocol for this indicator, this includes the fines and sanctions received in addition to those set forth in indicators G4-EN29 and G4-PR9, with the amounts indicated in the following table:

Significant fines and non-monetary sanctions[64]	2015	2014	2013
Expanded boundary			
Total amount of fines imposed (€)	35,542,577	17,022,140	15,345,304
Non-monetary sanctions (no.)	9	8	12
Cases being resolved through arbitration or similar mechanisms (no.)	8	1	1,724

Of the total amount, fines have been imposed in Spain in the amount of 27,386,763 euros, of which 25,000,000 represent the fine imposed on Iberdrola Generación, S.A.U. for purported fraudulent manipulation aimed at altering the price of electric power by increasing the offering prices of the Duero, Tajo, and Sil hydroelectric management units between 30 November 2013 and 23 December 2013. Iberdrola Generación, S.A.U. has filed a contentious administrative appeal against the sanction decision and requested a provisional remedy, which appeal has been admitted for further processing. In the Networks Business, fines totalling 2,071,588 euros were imposed for digging trenches without a works permit and for the construction of unauthorised facilities.

In Brazil, fines were imposed in the amount 8,092,571 euros, with the most significant being the 5,310,006 euro fine imposed on Coelba, relating mainly to the booking of investment costs for the period 2008-2012.

In the United States, fines were imposed in the Renewables Business totalling 63,035 euros for failure to comply with technical requirements in operations, while an insignificant fine of 207 euros was received in the United Kingdom.

There were no fines during financial year 2015 in the other countries in which the Company operates.

Nine non-monetary sanctions were also received relating to labour and administrative matters, which are not considered by the Company to be significant.

64 In the labour sphere, arbitration mechanisms are not included. In addition, labour fines and sanctions for 2014 and 2013 refer to the basic boundary, as there is no supplementary information available for such years.

Aspect: Supplier assessments for impacts on society

Management Approach
G4-SO9 Suppliers that were screened using criteria for impacts on society
G4-SO10 Impacts on society in the supply chain

The management approach regarding the Iberdrola Group's supply practices is described in the "G4-12 Description of supply chain" indicator of this report.

New suppliers are evaluated according to such management approach, and their significant risks regarding their impacts on society are managed through quality procedures and periodic audits.

Transparency in the general procurement process

In applying the Company's policies, the Procurement Division, within its area of responsibility, encourages equality of opportunity, applying standards of objectivity and impartiality in supplier relations, promoting publicity of and participation in selection processes, within management efficiency criteria.

The procurement process is periodically audited both internally and by external entities, with no "non-conformities" having been identified during the financial year. Recommendations and opportunities for improvement that arise during these reviews are analysed and put into place in order to maintain continuous improvement in the processes.

Dialogue with suppliers

As an indication of its efforts to know the satisfaction and expectations of the supplier stakeholders, the Procurement Division periodically surveys the suppliers of the Group in all countries in which these processes are carried out.

The results of the surveys are as follows:

Supplier satisfaction survey	4th Survey (2014)	3rd Survey (2012)	2nd Survey (2009)	1st Survey (2007)
Rating (out of 10)	8.00	7.74	7.57	7.56

Main initiatives with suppliers of materials, equipment, works, and services during 2015

Supplier of the Year Award

In Spain, the Supplier of the Year Award is a tool that allows the Group to acknowledge and express its gratitude to the supplier for its contribution to the achievement of the objectives of the Group. In 2015, the Award consisted of eight categories: Service quality and Responsiveness; Internationalisation; Safety and Health; Ethics and Corporate Social Responsibility; Competitiveness and Innovation; Best Young Company; Generation of Employment; and Special Award.

With these awards, the Company once again affirms its commitment to promote sustainable development, quality, internationalisation, innovation, corporate social responsibility, job creation, and the prevention of occupational hazards in the corporate management of its suppliers.

Iberdrola works, and wishes to continue to work, with outstanding and sustainable suppliers, and to that end it establishes clear awareness-raising and measuring mechanisms, devoting specific resources within the Procurement Division to such task and establishing personal goals for the management team linked to the ongoing improvement of suppliers' sustainability ratios.

Furthermore, in May 2015, Elektro held the eleventh annual Supplier Award, an event that has already become a tradition and a benchmark in the Brazilian electricity industry, the purpose of which is to improve cooperation among the parties, disseminate best practices, and boost competitiveness.

Elektro has also set up a Small Supplier Development Programme, designed to develop new competences and skills at small supplier companies to raise their potential and capacity.

"We go forward together": Supplier Communication Plan 2015

Eight workshops were held in 2015 in various regions in Spain under the slogan "Avanzamos Juntos" ("We go forward together") attended by more than 700 suppliers. The goal of these workshops is to strengthen Iberdrola's commitment to local suppliers and transmit to them the values and pillars on which the relationship between the Company and its suppliers is based, which are objectivity, transparency, impartiality, equal opportunity, creation of value, and management of risks and opportunities.

This initiative has also served to introduce a pioneering Innovation Programme with suppliers, designed to promote and speed up the development of new products and services that will resolve the future needs of the Company and help it to respond to the challenges of the industry.

Supplier sustainability evaluation model: CSR Scoring

Iberdrola has a *CSR Scoring* model to evaluate its suppliers with respect to social responsibility, quantifying their relative position based on the suppliers' management in terms of social responsibility, so that there is a standard to differentiate them in tenders or contracting:

Supplier CSR Scoring Model[65]

Classification levels	2015	%	2014	%	2013	%
A+	552	36	360	27	324	27
A	813	53	757	57	710	59
B	171	11	209	16	168	14
Basic boundary	1,536	100	1,326	100	1,202	100

Of the suppliers studied, 343 (as opposed to 323 in 2014) adhere to various international corporate social responsibility initiatives or follow codes of good practices for their industry.

During the financial year, there were 48 social audits of suppliers with an order during the year. Suppliers with "non-conformities" in the process have a specific period within which to rectify the deficiencies found.

More than 550 letters were sent to suppliers in 2015 encouraging them to obtain certification in the quality, environmental, and occupational risk prevention areas.

Diversity in the value chain

Avangrid has a *Supplier Diversity Program* that gives priority to supplies managed by minorities (companies owned by women or veterans, businesses located in run-down areas, businesses owned by marginalised persons, etc.). Contracting volume with these groups in 2015 was of approximately 45 million euros.

65 Suppliers with an order during the year. A+: above average suppliers, A: average suppliers and B: below average suppliers.

During 2015, the contracting volume with Special Employment Centres (in order to assist and work with persons with disabilities) totalled 2.7 million euros.

Participation in other responsible supplier management initiatives

In 2015, Iberdrola participated in various meetings of the Procurement and Responsible Consumption Committee of the Excellence in Sustainability Club, the final outcome of which was the publication of the "*Creation of Value through Responsible Procurement*" guide.

Iberdrola also participated in the *1st Congress on Responsible Supply Chain Management* organised by Unesa, where it made a presentation and shared with the attendees the Company's responsible supplier management model.

Transparency and reporting

Further information on Iberdrola's relations with and management of its suppliers can be found on the corporate website at www.iberdrola.com, in the *Periodic Report on Procurement and Supplier Management*, and the new "*Contribution to Sustainability*" section accessible from the Procurement function.

Aspect: Grievance mechanisms for impacts on society

Management Approach

The development of plans for the Company's relationships with its Stakeholders and the maintenance of fluid channels of communication are significant goals, to which Iberdrola dedicates numerous resources, as described in more detail in sections G4-18 through G4-27 of this report.

Attention to claims that might arise from various social players that might be affected by the Company's activities is included in the relationship schemes developed with Stakeholders, which are managed as described below:

– The "Companies of the Group" and "Contact" sections of the home page of www.iberdrola.com provide an orderly system of navigation to arrive at the different methods of contact that the various companies of the Group maintain in the countries in which they operate, the companies in question being directly responsible for the service and management thereof. In the case of the parent company Iberdrola, various channels are identified, both postal as well as telephonic and electronic, that provide multiple ways of contacting the Company, managed directly by the organisations responsible for maintaining such contact methods.

– The Company's Stakeholders have channels described in the preceding paragraph to send their complaints regarding business activities with a specific impact on the environment, labour relations, human rights, local communities, competition, or market power, and such complaints will be attended to following established internal procedures.

– There are various specific mechanisms for dealing with unethical behaviour or behaviour that might lead to situations of fraud or corruption in any form: the *Ethics Mailbox*, the *Shareholders' Ethics Mailbox*, the *Suppliers' Ethics Mailbox*, and the *Channel of Communication with the Audit and Risk Supervision Committee*, through which employees and shareholders can report grievances or complaints with the assurances of resolution and confidentiality that such channels require to be effective.

G4-SO11 Grievances about impacts on society

The court claims of which Iberdrola is aware are set forth in indicators G4-EN29, G4-SO8 and G4-PR9 of this report. The Company has no evidence of any court claims brought in addition to the ones mentioned above that might have a specific social impact.

Electric Utilities Sector Specific Aspect

Aspect: Disaster/emergency planning and response

Management Approach

As in any industrial activity, situations of risk to the facilities or the public at large may occur at power generation plants and in electricity grids, either because of an accident or due to loss of electricity supply.

Where this occurs, the subsidiaries of the Iberdrola Group and the companies in which the Company has an interest have put plans, procedures, and other mechanisms in place in order to try to minimise the consequences. Such measures include preventive measures that have been jointly established with local authorities, as well as training both for its own and subcontracted staff and ongoing education, and regular safety drills with on-site audits.

The Wholesale and Retail Business has various documented emergency management procedures in place at its facilities: for example, In Spain there is an *Emergency Response Organisation* (*Organización de respuesta ante emergencias* - ORE) procedure, which involves personnel of all levels and is put into operation in the event of emergencies that jeopardise the assets of the Company or its employees. Hydroelectric generation facilities also have an internal process to monitor a Reservoir Emergency Plan. For instance, at the Támega project in Portugal, this plan was sent to the appropriate Portuguese authority for information and approval prior to the commencement of the works. In the United Kingdom, there is also a Business Continuity Management System for the management and minimisation of emergency situations, which is certified to the ISO 22301 standard and externally audited. In Mexico, there is a procedure signed with the National Energy Control Centre (*Centro Nacional de Control de la Energía* - CENACE), which determines the participation of the plants in restoration in the event of a total collapse of the National Electricity System.

Nuclear power plants have specific emergency plans in order to ensure that emergency systems are operational and to guarantee the safety of employees and the public, which include both an External Emergency Plan (*Plan de emergencia exterior* - PEN), for which the governmental authorities are responsible, and an Internal Emergency Plan (*Plan de emergencia interior* - PEI), compliance with which is the responsibility of the companies that own the power plant. The PEI is known by the public authorities and municipalities of the region, which participate in its adoption, and verify its effectiveness through annual emergency drills supervised by the Nuclear Safety Council (*Consejo de Seguridad Nuclear* - CSN). In addition, there is a *Basic Nuclear Emergency Plan* (*Plan básico de emergencia nuclear* - PLABEN), which provides an interface as an instrument for coordination between both plans. Training in the event of emergency is also provided to the Company's own and third-party employees, and periodic drills are held, in which the employees involved in the Nuclear Emergency Response Organisation (*Organización de Respuesta ante Emergencias Nucleares* - OREN) are trained.

Thermal generation plants have established general procedures to identify and respond to potential accidents and emergency situations, as well as to prevent and reduce environmental impacts, serious accidents, and possible injuries to employees.

Another example of emergency management is the cooperation of the Company with the authorities responsible for the operation of the national electricity grids and of connections with other countries in order to deal with the possibility of a global supply failure. System operators are responsible for guaranteeing the reliable and safe operation thereof and for restoring service following severe incidents in a controlled manner and within the shortest possible time. To that end, they draw up detailed plans and procedures that determine the responsibilities and guidelines for action by geographic areas. Concurrently therewith, the Company conducts tests at its facilities to ensure that the main generation centres can resume production in the event of a power grid failure.

The Networks Business also has various management plans and procedures to deal with these situations, such as the *Electric Emergency Plan* of the NYSEG subsidiary of Avangrid and the operating instructions of Elektro in Brazil, which standardise safety in operations and the procedures to restore supply and for the maintenance of the electricity system. ScottishPower actively communicates with vulnerable groups during power outages to ensure that they are properly cared for and to provide any assistance that may be required. The company has its own fleet of generators, as well as a portfolio of suppliers to support consumers during long-lasting emergencies if necessary.

Specific Aspect of the Iberdrola Group

Aspect: Iberdrola's contribution to the community

Social actions, in cooperation with governmental and civil society organisations, constitute a significant part of Iberdrola's commitment to the community. Detailed information on such actions can be obtained both from the published reports and from the corporate websites of Iberdrola's subsidiaries and affiliates in Spain, United Kingdom, the United States, Mexico, and Brazil.

Rural electrification programmes in Brazil are also particularly worthy of note. The Brazilian companies of the Group and their affiliates have continued to develop such programmes, undertaken jointly with government entities, with the goal of extending the electricity infrastructures to the entire population of the country in order to facilitate economic and social development, minimising inequalities among the various regions and between rural and urban areas. These programmes represent a fundamental component for development of the most disadvantaged sectors of Brazil's population.

1. Dedicated resources

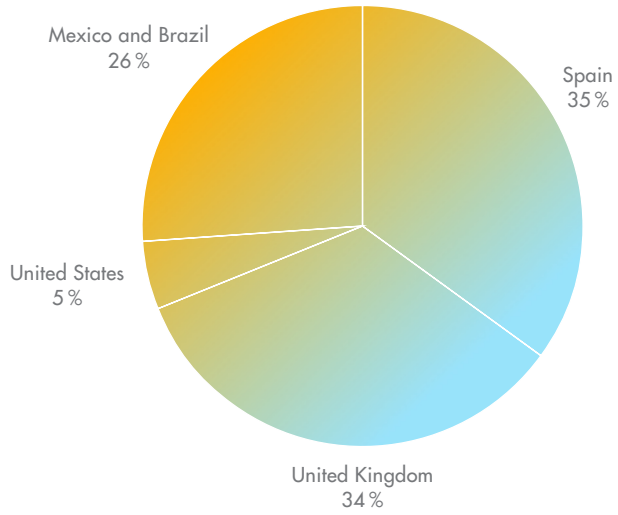
Iberdrola has selected the *London Benchmarking Group* (LBG) model to measure and assess business contributions to the community due to its wide international recognition. It is regarded as the most highly-valued standard for measuring the results and impacts of social programmes, both for the company and for the community.

A detailed description of the LBG model can be found at the www.lbg.es.

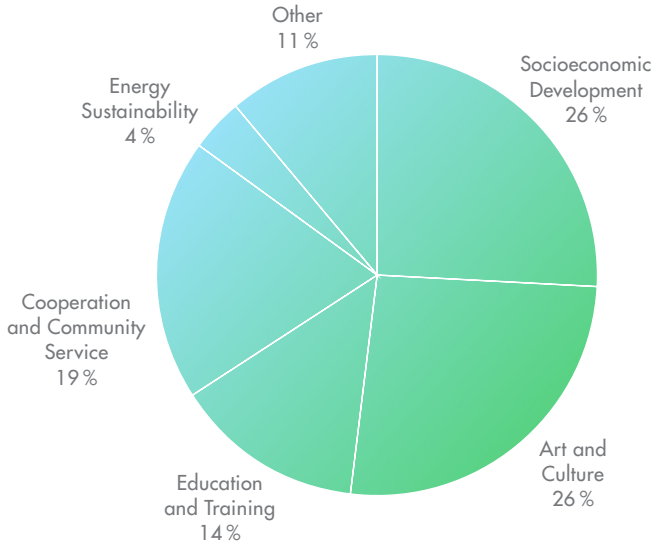
Iberdrola has used the LBG model to report its contributions to society in this *Sustainability Report 2015*.

Contribution to the community 2015	**(€ thousands)**
By category	
Specific contributions	2,556
Community investment	29,102
Socioeconomic development of the community	
Energy sustainability	
Art and culture	
Education and training	
Cooperation and community service	
Commercial initiatives in the community	3,773
Management costs	2,368
By type of contribution	
Cash contributions	34,850
Staff time	476
In-kind contributions	105
Management costs	2,368
Expanded boundary	37,799

Iberdrola's contribution by country (Expanded boundary)



Iberdrola's contribution by programme (Expanded boundary)



In addition, the aggregate funds allocated to rural electrification programmes in Brazil represented a total of 8 million euros on a consolidated basis for the Group.

Electrification programmes 2015	(€ thousands)
Elektro, Coelba, Celpe, and Cosern	8,160

2. Outputs and impacts

Benefits for society

Iberdrola has been measuring the results achieved by its community support programmes using various parameters. Fundación Iberdrola is applying the specific LBG methodology to measure outputs and impacts for the various programmes for which it is responsible, and expects to continue extending the application of this methodology to all of its higher-impact community programmes.

The first to use it was the *Atlantic Romanesque Restoration Project*; the application of this methodology to a significant art and heritage project is new in Spain. The results have been measured from its start date, in September 2010, through financial year 2015.

The total investment of the Foundation in the programme has reached 1,121,500 euros, with an additional multiplier effect of 2,170,917 euros. The programme brings the obvious benefits of improving the condition of the historic and artistic buildings and increased promotion and awareness of these buildings among the general population. Stage I of the project having been completed, Stage II (2015-2018) began in 2015, with the primary aim of showcasing the efforts made during Stage I through the designed Cultural Dynamisation Plan, which combines many cultural promotion and socioeconomic development actions.

Concerning output measurements, the following figures can be illustrative: 15,762 direct beneficiaries and 144,556 indirect ones, considering as beneficiaries the citizens of the rural municipalities where the restoration work has been carried out. One should also take into account 55 beneficiary organisations where a positive impact was produced through innovation and increased capabilities with volunteer employees, among other ways. Of particular note in this regard is the significant benefit obtained by the application of advanced technologies to the temple monitoring systems, coupled with the renewal of electric installations and improved lighting. This technological innovation has so far achieved a 70% reduction in total installed capacity at the restored temples, and thus a reduction of 10,100 kg of CO_2 emissions into the atmosphere.

The socioeconomic impact in the region through job creation in the area and strengthening commercial activity is also worth mentioning. Detailed information on the project is available at www.romanicoatlantico.org and www.fundacioniberdrolaespana.org.

The *Social Assistance Programme (Programa de ayudas sociales)* also uses LBG methodology to measure achievements and impacts. There are many types of beneficiaries of this programme: persons with disabilities, elderly persons in need, immigrants, youths at risk of social exclusion, people who have been unemployed for a long time, etc. A total of 32 social projects, managed by not-for-profit organisations, were approved for financial year 2015, with a total investment of 1,022,600 euros. There are 5,822 direct beneficiaries and 19,128 indirect beneficiaries (mainly relatives) of such programmes. Also worth noting is the creation of 150 direct jobs to implement these projects.

The aim of the *Cooperation for Development Programme (Programa de cooperación para el desarrollo)* is to improve living conditions in developing countries by improving electric power and other infrastructure. The various programmes carried out in 2015 benefitted 2,068 people directly and 248 families indirectly.

Last, 115 scholarships and research grants were awarded as part of the *Scholarship and Research Grants Programme (Programa de becas y ayudas a la investigación)*, with an investment of 2,542,769 euros. A total of 430 scholarships and grants have been awarded since 2010, with a total investment of 10,900,000 euros.

Benefits for the company

Iberdrola believes that the main benefits that it obtains from its commitment to society are:

– Building and reinforcing relationships of trust with communities, through the support of social organisations and national, regional, and local governments.

– Achieving higher brand recognition and improving its corporate reputation.

– Improving employee satisfaction, by belonging to a socially valued and recognised Company.

3. Corporate volunteering programme

The Iberdrola Group offered its workforce various volunteering opportunities within the framework of its *Corporate Volunteering Programme* to channel the community service spirit of employees and motivate them to participate in social projects aligned with corporate values and aimed at the integration of vulnerable groups, improving the environment and sustainable development, as well as greater access to energy. As a result of this effort, Iberdrola was recognised as the *Community Service Company of the Year* by the International Cooperation NGO.

Some of the more noteworthy initiatives were the following:

– The fourth edition of the Volunteer vacations: Iberdrola - São Paulo 2.0, which continued to provide training in new technologies to Brazilian youths at risk of social exclusion, with a three-week stay of a team of volunteers from Spain, the United Kingdom, and the United States in the Brazilian city of Campinas.

– National and international volunteerism days were organised, among which particularly worth noting is the *Sixth International Volunteerism Day* held simultaneously in Spain, the United Kingdom, the United States, Mexico, and Brazil. This year, as an innovation, volunteers described their experience on the social networks. *Volunteerism days* were also organised in various Autonomous Communities in Spain, with games and sports days to encourage the normalisation and integration of persons with disabilities.

– The Iberdrola "Operation Kilo" campaign allowed for the collection of almost 6,500 kilograms of basic foodstuffs and children's products at work centres in Spain, with the cooperation of social organisations. At the same time, Iberdrola cooperated with several entities such as UNICEF, with its campaign to provide assistance to Nepal, and "We can't stop now" against child malnutrition, Aldeas Infantiles, and Federación Española de Bancos de Alimentos to help children. The "Toys for everyone" campaign was also held together with Asociación Valdeperales to give children Epiphany presents.

– Professional volunteerism continued to wager on cooperation for development initiatives in African countries, within the framework of the *Electricity for Everyone (Electricidad para Todos) Programme*, and its public-private cooperation project to improve electric power supply at several refugee camps in Ethiopia. Added to these were the *Know your Laws (Conoce tus Leyes)* programme for the integration of immigrants by means of courses offered by our employees who are experts in law, and *Lights... and Action!* together with Fundación Tomillo to provide energy efficiency training and develop the employability of youths from disadvantaged environments.

– Worth noting among environmental volunteering activities is the holding of the *8th Tree Day* for the creation of the "Iberdrola Forest" and reforestation workshops at several Spanish communities. The Company also participated in various popular races or competitions organised for different social and environmental purposes.

– In response to the social need that arose as a result of the refugee crisis, the *Iberdrola with the refugees* initiative was created, which offers various possibilities through its digital platform www.iberdrolaconlosrefugiados.com; particularly worth noting is the creation of a specific volunteer bank.

– Iberdrola has continued to cooperate with the Corporate Volunteerism Observatory, a project that provides for the conduct of various studies and reports, as well as promotion and training activities in corporate volunteerism, in order to assist companies in this area.

– Iberdrola has also been part of the main volunteerism working groups and international associations such as Even, Voluntare, IAVE, etc.

– ScottishPower also carried out an initiative, introduced in 2014, under which all volunteers are entitled to one day's paid leave to attend a volunteerism day.

The *Volunteer Portal* is a global and trilingual website that continues to be the meeting point for all professionals of the Iberdrola Group interested in social and community service actions. The *Volunteerism Newsletter* has provided weekly information on the most important actions to all its subscribers.

4. Iberdrola Foundations

In 2015, the Iberdrola Foundations continued to carry out their programme of activities in order to achieve the objectives established in their Master Plan for the period 2015-2019, the aim of which is to effect improvements in social progress, commitment to the community, and the improvement in the quality of life of the people living in the principal countries in which the Group operates (Spain, the United Kingdom, the United States, Brazil, and Mexico).

Such Master Plan includes relevant programmes and initiatives in the four areas of activity of the Foundations. The following were the most important activities in 2015:

a) Training and research area

Fundación Iberdrola's *Scholarship and Research Aid Programme in Energy and Environment* each year grants Master's scholarships in energy and environmental research in Spain, the United Kingdom, the United States, Mexico, and Brazil, as well as research grants in Spain. This programme seeks to achieve excellence in applied higher training, in order to train high-level professionals capable of contributing to the search for solutions consistent with meeting the energy demands of the population and the protection of the environment. All of this is done through close cooperation with prestigious professionals, universities, and innovation centres in Spain, the United Kingdom, and the United States.

In 2015, the Programme awarded a total of 115 scholarships and research grants.

In addition to renowned universities in the three countries mentioned above, the Restoration Workshops of the Prado Museum and the Fine Arts Museum in Bilbao participate in the Scholarship Programme. Worth noting is the collaboration with the Prince of Asturias Chair in Information Science and Related Technologies at the University of New Mexico, in the United States, with studies, research, and training of scholarship holders in the area of communications, data processing, and smart grids.

Held in July 2015 was the *Scholarship Award Event*, at which the youths from the five countries, namely, Spain, the United Kingdom, the United States, Mexico, and Brazil who participated in this edition of the programme received their diplomas.

Fundación Iberdrola also collaborates with other entities in granting scholarships and research grants, of which the following deserve mention:

– Fundación Carolina, through its Training Programme, the aim of which is to promote improvement in higher education within the American continent and to foster the internationalisation of Spanish universities.

– The Fulbright Foundation, which promotes the further education of Spanish university graduates through master's or doctorate programmes in the United States.

b) Sustainability and biodiversity area

Collaboration on the *Bird Migration Scheme* in Spain in 2015 resulted in the banding of 51 new specimens of birds with GPS transmitters that provide detailed information regarding the migration of these birds in real time, which is available at www.migraciondeaves.org. The Foundation has also collaborated in the *LIFE+ Cantabrian Capercaillie Protection Scheme*, which focused on the breeding and release of birds and other activities. The project is expected to be completed in 2016.

Through the ScottishPower Foundation, there has been participation in various projects in the United Kingdom, including collaboration with the Royal Society for the Protection of Birds Scotland (RPSB), *Keep Scotland Beautiful* and environmental improvement actions of the *Loch Lomond and the Trossachs Countryside Trust* programme.

Through the Avangrid Foundation, there was collaboration in the United States with more than ten environmental centres and entities. Particularly worth noting is participation with municipalities in energy efficiency programmes, such as the *Cool Seweep Program* of the City of Rochester, collaboration with the

Adirondack Research Institute's research programme, and the Royal River Conservation Trust's conservation programmes in river banks, in the state of Maine.

Worthy of mention in Brazil is the *Flyways* project, which in 2015 began a census of shorebirds and the definition of work areas in Paraíba, Bahía/Sergipe and Rio Grande do Norte. Another project has also been launched, known as *Ciudad Colmena*, funded by the Instituto Iberdrola Brasil, which consists of training beekeepers. Besides being beneficial for the habitat, it includes a social component of benefit for the community in training youths at risk of social exclusion.

In Mexico, support activities continue for the *Let us clean the world (Limpiemos el mundo)* campaign in La Laguna.

c) Art and culture area

In Spain, the following programmes are worthy of note:

The *Atlantic Romanesque Project* (www.romanicoatlantico.org), commenced in 2010. The two most significant milestones in 2015 were the completion of the restoration work in the San Pedro de la Nave church in El Campillo (Zamora) and the intervention at the 12th century San Martín church, a notable example of Romanesque architecture in the city of Salamanca, where a visitors' centre of the *Atlantic Romanesque* project was set up. Restoration of small churches continued in Portugal as part of this significant project. Finally, plans for the programme's second stage, which began in 2015 and will run until 2018, seek to showcase involvement through a number of actions to promote tourism and the economic development of surrounding areas.

Fundación Iberdrola is a "Benefactor of the Prado Museum" and supports the Museum's Restoration Workshop, promoting the innovative *Lighting the Prado* project.

The following were the most important works restored by the Prado Museum in 2015: Rogier Van der Weyden's "*The Calvary*". This painting, from the Escorial Monastery, was exhibited at the Prado Museum in a Van der Weyden exhibition. One of Goya's most remarkable paintings was "*The Era*", which was exhibited for the first time following its restoration.

The purpose of the *Lighting the Prado* project is to install a new lighting system with LED technology in the rooms housing both the permanent collection and temporary exhibitions, to replace the existing system based on halogen lamps. The advantages afforded by this project include improved conservation of the works exhibited owing to the absence of infrared and ultraviolet rays, which makes viewing the works easier, as it is very similar to natural light, and improved efficiency and durability, which provides for significant savings in annual consumption and maintenance. Implementation of this significant project has been planned in fourteen stages, which began in November 2014, and will take four years. From the environmental standpoint, once it is completed in 2017, this lighting system will provide annual energy savings of 75%, prevent the emission into the atmosphere of 320 tons of CO_2 every year, and reduce maintenance costs.

Several projects were carried out as part of the *Lighting Programme*, showcasing the local historical and artistic heritage. The following are worth noting:

– *Lighting of the Walls of the Vilafamés Castle*, Castellón: partial lighting of the wall with a design to the highest efficiency standards, using LED light bulbs.

– *Lighting of the Alcántara Bridge*, Cáceres: After one year of the project, the result is uniform lighting that is respectful of the environment thanks to the 36 LED lamps. As a result of this initiative, the electric power consumption of the bridge lighting system will be reduced by 84%. The new layout of the lamps will highlight the horizontality of the bridge structure, thereby reducing light contamination.

– *Lighting of the Main Altarpiece of the Juncal Church*, Irún; the lighting was designed and installed at this Renaissance church which, however, follows Gothic patterns in its construction and shape.

The first project of the lighting programme of the Instituto Iberdrola Brazil began in Brazil with the lighting of the *Cruz de Cabrália*, a national symbol located at Ilhéu de Coroa Vermelha, in the municipality of Santa Cruz Cabrália, Bahía, to be inaugurated in 2016.

In the United Kingdom, the ScottishPower Foundation established a special collaboration with the National Museum of Scotland, funding the new Energy Area and the youth training programme, and beginning an interior lighting project using LED technology. In addition, support was provided for the activities of the National Theatre of Scotland, which staged the award-winning production *Black Watch*. Collaboration continues with other cultural entities, such as the ScottishPower Pipe Band, the National Library of Wales, the National Museum of Scotland, and The Aloud Charity.

In the United States, the Avangrid Foundation collaborated with the activities of the Eastman Theatre in Rochester, and has provided financial support to many cultural entities, such as music centres, museums, and art initiatives like: Abyssinian Meeting House, Binghamton Philharmonic, Eastman Theatre and School of Music, Maine Irish Heritage Centre, Maine State Ballet, Memorial Art Gallery, Portland Museum of Art, Rochester International Jazz Festival Tompkins Country Library, Tri-cities Opera, etc.

d) Cooperation and community service area

Social Programme 2015

The most important social action of Fundación Iberdrola Spain is the *Call for Social Assistance (Convocatoria de Ayudas Sociales)*, the aim of which is to contribute to the improvement of the quality of life of the most vulnerable groups, through initiatives that will make it possible to cover basic needs and access to basic services.

In 2015, priority was given to initiatives that promote education and training to favour social and workplace integration. Not-for-profit organisations working in Spain that develop projects to fight against poverty and social exclusion and to improve the quality of life of sick people and their dependents may elect to participate in this social assistance programme.

In 2015, social initiatives in collaboration with civil society organisations represented an investment of more than one million euros, and are carried out through thirty-two projects throughout Spain; they are a significant part of Iberdrola's commitment to the most vulnerable persons.

ScottishPower Foundation has promoted collaboration with eleven social projects in the United Kingdom, giving priority to programmes for the sick and their relatives (cancer, autism, Huntington's disease, blindness, Alzheimer's…), transport of sick people and music at hospitals, and the improvement of hospital infrastructure, among others. It also continued to support its traditional social collaboration with entities such as *O Ddrws i Ddrws, CLWYD Theatre, Music in hospitals, Scottish Huntington Ass., Prince of Wales Hospice, Your Champion/heroes*, and *Alzheimer Scotland Dementia*. To further promote these projects and the collaboration of ScottishPower Foundation, an event is held every year where social entities receive recognition and *ScottishPower Foundation Awards* are given to the best initiatives.

At Avangrid Foundation, there were fifty instances of collaboration with social organisations, of which the following are worthy of note:

– Assistance funds for electric power supply and efficiency: *American Red Cross SHARE Heating Fund, Broome Country Habitat for Humanity, Working cities, Lifespan*, etc.

– Assistance in the fight against disease (cancer, heart disease, fibrosis, leukaemia, ...).

– Social collaboration (*Bike Coalition, Food processing, Kids first centre, Maine General Hospital, Morrison Family Services, Oregon food bank, Warehouse, United Way Rochester, Urban League, Junior League of Portland, Working Cities, ...*).

In Mexico, social actions continued to support school centres and centres for the elderly near Iberdrola's facilities there. Work was also done to restructure social activities in order to establish a programme with

greater impact, to be known as *Decent School*, in order to improve twelve centres in the area served by the Company. In addition, in 2015 the Company collaborated with other social entities: Civil Protection, the Fire Brigade, the Red Cross.

Cooperation for development:

Projects in this area were carried out by Fundación Iberdrola España and were the following:

– Energy Without Borders Project (*Proyecto Energía sin Fronteras*): Second Stage of the *Niumbani Eco-Village* project to provide access to electricity to the houses in the village, once the common areas and facilities have received such access.

– Alliance for Solidarity Project: a water and sanitation project with energy components in Nicaragua. This project was developed through a public-private collaboration alliance with the AECID Water Fund and consisted of making water available to a very poor area in Nicaragua.

e) Institutional collaboration

Finally, Fundación Iberdrola España continues to collaborate with and support leading and reference cultural, social, scientific, and cooperation institutions at the national level, such as Instituto Elcano, Fundación Carolina, Real Academia Española de la Lengua y de Historia, Instituto Cervantes, Fundación Atapuerca, Casa de América, Fundación Cruz Roja, and Energía sin Fronteras, among others, in an aggregate amount in excess of one million euros.

Details on the projects supported by the Iberdrola Foundations can be found on their respective websites:

– Spain: Fundación Iberdrola España www.fundacioniberdrolaespana.org

– United Kingdom: ScottishPower Foundation www.scottishpower.com

– United States: Avangrid Foundation www.avangrid.com

– Brazil: Instituto Elektro www.elektro.com.br

5. *Electricity for All Programme*

Approval of the Sustainable Development Goals 2015-2030 has entailed the recognition of energy as the driver of sustainable development, as set forth in goal number seven: "Ensure access to affordable, reliable, sustainable and modern energy for all".

The *Electricity for All Programme (Programa electricidad para todos)* is Iberdrola's response to the call of the international community to extend universal access to modern forms of energy, with environmentally sustainable, financially affordable, and socially inclusive models. The aim of the programme is to ensure access to electricity in emerging and developing countries. This ambitious initiative focuses on sustainable electrification actions, for which purpose Iberdrola brings to bear its technical, logistic, organisational, and financial capabilities.

The Company has set itself the goal of reaching four million beneficiaries of the *Electricity for All Programme* by 2020. Iberdrola announced this goal at the UN SE4ALL Forum held in New York in May 2015. As of the end of financial year 2015, the programme already has a total of more than 1.4 million beneficiaries.

This initiative has three areas of action:

– Financing of projects through capital investment: search for projects already in progress that Iberdrola can join in with a percentage stake using the PERSEO investment fund. In 2015, the first investment was made, Sunfunder, a financing platform through which financial and corporate investors own stakes in a diversified portfolio of solar projects not connected to the grid, in emerging countries in Africa, Latin America, and Asia. More than 1.8 million euros have already been invested in 16 solar companies in 6 developing countries within the framework of this platform, with an impact on more than 250,000 beneficiaries.

– Activities with a social impact: investments promoted by businesses in the countries in which Iberdrola has distribution networks. Such is the case with the *Light for Everyone Programme* of distribution companies in north-eastern Brazil, or the activities carried out by Iberdrola Ingeniería.

– Development of projects with a high social component. Development of its own projects in the areas it serves, with the support of NGOs and corporate volunteers.

As an activity that cuts across the three lines of action described above, a Chair for the Universalisation of Basic Energy Services was created in 2014 with the Centre for Innovation in Technology for Human Development (*Centro de Innovación en Tecnología para el Desarrollo Humano*) of Universidad Politécnica de Madrid (ITD-UPM). Training and dissemination activities are underway within this framework, as are actions to identify possible R&D+i activities in the area of universal power services.

Invitations for submissions were made in 2015 for the first *International Energy Cooperation Award* to recognise the best private, public, and third sector cooperation initiatives. Suma Capital, Ciemat, and the ICAI Fundación Ingenieros para el Desarrollo (Engineers for Development Foundation) were the winners of this edition, organised by Iberdrola and *Club de Excelencia en Sostenibilidad* (Excellence in Sustainability Club), with the support of the Ministry of Foreign Affairs and Cooperation.

C4.
Product Responsibility

The aspects analysed and reported on in this chapter are the following:

Aspects of the GRI-G4 Guidelines

(those indicators that require additional information per the electric utilities sector supplement are identifiedwith (*))

Customer health and safety (*)
Products and service labelling
Marketing communications
Customer privacy
Compliance

Specific Aspects of the GRI-G4 Electric Utilities Sector Supplement

Access to electricity
Access to adequate information

The information boundaries used in this chapter are defined in indicator G4-17 of this report.

Specific management approach to product responsibility

Iberdrola mainly provides two products in retail markets: electricity and natural gas. Although it engages in other activities through its Group, due to the nature and scope thereof, these activities are insignificant in connection with customers for purposes of the information presented in this report.

Accordingly, this chapter sets forth the information relating to the activities of distribution and supply of electric power and gas in the retail markets in Spain, the United Kingdom, the United States, and Brazil, which are the most relevant regarding the number of customers. The specific EU30 indicator, which refers to the availability factors of the production plants, includes Mexico as well.

Indicator G4-17, which encompasses the entities included in the financial consolidation and within the boundaries of this report, also specifies the countries in which such products are sold; the customer group included within the Company's activities in Portugal, France, and Germany are not considered to be significant for this chapter, due to their type and small number.

As a whole, the subsidiaries and affiliates of the Group covered by this report (expanded boundary) handle a total of 33.8 million energy supply points, of which 29.7 million correspond to electric power and 4.1 million to gas supply. This information is described by type of user in indicator EU3 of this report.

The Iberdrola Group operates with an organisational structure in which the Networks Business manages the activities of energy transmission and distribution and any other regulated activity that the Group carries out in Spain, the United Kingdom, the United States, and Brazil, and the Wholesale and Retail Business manages non-regulated activities in Spain, Portugal, the United Kingdom, Mexico, and continental Europe. Due to their significance, this chapter of the report includes information corresponding to the distributor companies of the Neoenergia Group in Brazil, in which Iberdrola holds a significant percentage but over which it does not have the capacity for control.

In managing these issues, Iberdrola acts in accordance with the principles described in the "General Management Approach" section of this report.

Aspect: Customer health and safety

Management Approach

Health and safety during the life cycle

All stages of the life cycles of electricity and gas are highly regulated because they are basic products for the development of a country's economy and because of the improvement they entail in the well-being of citizens. Therefore, in the planning stage, the community participates through its social and political representatives in broad discussions concerning the energy model to be adopted in the country, taking into consideration economic, environmental, and health and safety aspects, as well as the reliability of supply, generating public policies that lay the groundwork for the companies within the Iberdrola Group to adopt investment strategies that are consistent therewith. At the retail level, there are also direct channels of communication with customers, as shown in indicator G4-26 and in the management approach to the Aspect "Access to adequate information" in this chapter.

In the countries in which Iberdrola engages in electric power production activities, there are extensive environmental and labour regulations aimed at ensuring that existing risks to human health and safety remain within the limits established thereby. The companies thus provide the information required to verify that the operating conditions established in the regulations and in the technical specifications for generation plants are observed in their construction, operation, and maintenance.

Likewise, the electricity and gas transmission and distribution stages are subject to extensive regulations governing the construction, operation, and maintenance of facilities, and therefore the companies provide the human, physical, and financial resources needed to minimise electricity risks and those associated with the handling of natural gas.

The Iberdrola Group abides by applicable law in all matters relating to the health and safety of its customers, and also voluntarily adopts various measures to improve aspects relating to product safety. Specific internal regulations have been developed at distribution networks in this regard and there are also gas maintenance operating procedures to ensure safety in Spain.

In the United Kingdom, devices have been developed to improve the safety of customers, such as carbon dioxide alarms, fire alarms, or devices preventing hypothermia.

The Company also believes that the most effective way of protecting public health and safety in the use of power and gas is the provision of training and information to customers. This is why Iberdrola has various means to inform and train the public through actions and programs that are explained in more detail under the Aspect "Access to adequate information" in this chapter.

Electric and magnetic fields

The influence of electric and magnetic fields on the health of human beings has historically been a topic of public debate. The studies performed show that, with the safety distances currently adopted in the construction of these facilities, there has been no identification of detrimental effects on human health. In this case, Iberdrola applies the precautionary principle and is willing to collaborate with the public authorities in adopting such preventive or mitigating measures as may be deemed appropriate to avoid risks or harm to health.

There are differences in the practices relating to this issue in the various countries in which the Company does business:

In Spain, two reports are prepared regarding electric and magnetic fields at facilities, which are audited by Aenor. In 2015, all facilities emitted electric and magnetic fields below the maximum limits established by law.

In the United Kingdom and the United States, the facilities comply with applicable regulations and measurements are not taken at the facilities unless requested by the customer; during 2015, the Company received 63 such requests in the United Kingdom, and in 46 of the cases the emissions were verified and more information was provided in that regard.

In Brazil, there are measurements of electromagnetic fields to check compliance with the benchmark figures under current law, and no nonconformity was detected in 2015 at either Elektro or at any of the affiliates, Celpe, Coelba, and Cosern.

G4-PR1 Products and services for which health and safety impacts are assessed

The processes required for the supply of electricity and gas at all stages, described in the management approach above, ensure that such products arrive at the consumer with an appropriate level of assurance for their health and safety.

G4-PR2 Incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services.

The table below sets forth the incidents that occurred during financial year 2015, 1 of which resulted in a fine in the United States, and 4 of which were related to voluntary codes in Coelba, Brazil.

Incidents stemming from non-compliance with regulations or voluntary codes (no.)	2015	2014	2013
Expanded boundary			
Resulting in a fine	1	2	2
Resulting in a warning	0	0	2
Relating to voluntary codes	4	0	0
Total incidents	5	2	4

EU25 Injuries and fatalities to the public involving company assets

In order to facilitate citizens' access to an essential service such as electricity, the construction, operation, and maintenance of various infrastructure is required, which entails certain risks, which may at times give rise to incidents affecting citizens outside of the control of the Company, such as, for example, coming into unintentional contact with electricity lines or their supports, injuries caused by contact with electrical cables, etc.

The following table shows the accidents of this kind that occurred during financial year 2015: 5 of the persons who suffered accidents were in Spain, 54 in the United Kingdom, 29 in the United States, and 129 in Brazil (15 at Elektro and the rest at the Neoenergia Group). Of the fatalities recorded, 3 occurred in Spain, 2 in the United Kingdom, 2 in the United States, and 40 in Brazil (7 at Elektro and the rest at the Neoenergia Group).

Accidents of persons not belonging to the Company (no.)	2015[66]	2014	2013
Expanded boundary			
Accident victims	217	173	217
Fatalities	47	69	79

The claims listed in the table below have been filed against companies of the Group on these and other similar grounds not resulting in injuries and are following the relevant legal procedures applicable in each jurisdiction. Legal proceedings finished and pending by year-end 2015 amount to 174 in Spain, 34 in the United States, and 31 in Brazil:

Legal proceedings (no.)	2015	2014	2013
Expanded boundary			
Settled and pending, stemming from those accidents	239	228	254

66 Does not include those relating to the former UIL Holdings Corporation since its merger into Avangrid in the United States on 16 December 2015, as they are still not recorded in the corporate systems, which does not distort the comparability of the information given the small impact involved in the 15 days of integration within the Group.

Aspect: Product and service labelling

Management Approach

G4-PR3 Product and service information and labelling required by procedures in force and by regulations.

Electricity and gas are products that are not susceptible to labelling, for which reason this Aspect is not relevant for Iberdrola. Any such additional information as may be believed to be of help for consumers to make a more rational, efficient, and safe use of these products is set forth at the end of this chapter in the Aspect "Access to adequate information".

G4-PR4 Incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling.

The following table sets forth the incidents related to information and labelling which occurred during financial year 2015, which have resulted in 12 fines in Spain and 5 warnings at Celpe, in Brazil.

Incident relating to information and labelling (no.)	2015	2014	2013
Expanded boundary			
Resulting in a fine	12	1	2
Resulting in a warning	5	0	0
Relating to voluntary codes	0	0	0
Total incidents	17	1	2

G4-PR5 Surveys measuring customer satisfaction

Iberdrola has various mechanisms to measure customer satisfaction levels and to gather the opinions of its customers, as well as to verify compliance with its quality standards within the customer service and sales channels.

In Spain, there is an annual study measuring general satisfaction with the service received by the customer. The results of this study show a slight increase in current satisfaction of the group of customers served by Iberdrola, as well as in the rates for recommendation of and engagement with the Company. Specifically, the average global satisfaction of customers analysed went from 6.67 (out of 10) in 2014 to 6.76 in 2015, and positive engagement (recommendation of Iberdrola to other prospective customers) went from 43.25% of customers in 2014 to 44.6% in 2015. There is also a Gas Maintenance Service Satisfaction Survey, conducted on a yearly basis as well, showing a 3-point improvement over the previous year.

There are also satisfaction surveys for the customer service and sale channels, by both external and internal experts, to know how customers assess the different stages of the customer service and management processes, as well as the service areas that require priority action to improve customer satisfaction. There is an increase in residential customers' global satisfaction with the service, from 7.1 out of 10 in 2014 to 7.4 in 2015. There are also satisfaction studies of new applicants for service, the results of which were in line with those of the previous year, with a favourable rating of 3.4 out of 5.

In the United Kingdom, customer satisfaction is measured by a series of internal and external studies within the *Customer Insight* department, including monthly and quarterly follow-up satisfaction surveys by a customer research panel (*Your Energy People*).

There is also a series of external comparative studies measuring the satisfaction of ScottishPower's customers as compared to its competitors, such as those conducted by USwitch, Which?, Nunwood, NCSI, and UK-CSI. The same metrics are reviewed each month in the *Reptrak* study through the monthly publication *YouGov monthly Brand Index reporting*.

In the United States, the companies CMP, NYSEG, and RGE take two kinds of measurements:

– customer satisfaction in recent transactions, the results of which are compared to the regulator's objectives and with the results of other companies in the industry;

– consumers' perception of the companies' performance, which is conducted on an annual basis, through 600 telephone interviews. The results show that in 2015 the companies are among the 5 leading companies of the Northeast in the 3 indices based on the 20 questions asked: customer satisfaction index, distributed energy index, and customer interaction index.

In Brazil, there are two annual surveys of customer satisfaction, one using the methodology established by the Brazilian Association of Electric Power Distributors (*Associaçâo Brasileira de Distribuidores de Energia Elétrica* - Abradee), which analyses up to 46 customer satisfaction attributes distributed among areas such as customer service, image, and price, among others, and the other conducted by the National Electric Power Agency (*Agência Nacional de Energia Elétrica* - Aneel), which analyses 40 attributes based on a sample of 450 customers of the distributors. In the first one, Elektro has obtained an 80.6% score in what is called the Satisfaction and Perceived Quality Index, while the affiliates, Celpe, Cosern, and Coelba, have obtained 70.2%, 84.4%, and 77.9% respectively. In the second survey, called the Customer Satisfaction Index, the score obtained by Elektro has been 57%, while the score obtained by the affiliates, Celpe, Cosern, and Coelba, has been 57.43%, 59.36%, and 55.47%, respectively.

Aspect: Marketing communications

Management Approach

Iberdrola observes the laws and abides by the regulations governing its advertising or marketing communications, and adopts mechanisms and voluntary codes that cause such communications to be transparent and truthful. The *Code of Ethics* also applies in this field to all the employees no matter where they fulfil their duties.

Thus, for example, in Spain Iberdrola is a member of the Association for Commercial Self-Regulation (*Asociación para la Autorregulación Comercial* - Autocontrol), the Spanish Electronic Commerce and Relational Marketing Association (*Asociación Española de Comercio Electrónico y Marketing Relacional* - AECEM), the Spanish Advertisers' Association (*Asociación Española de Anunciantes* - AEA) and the Marketing Association of Spain (*Asociación de Marketing de España* - MKT), and has subscribed to their respective codes of ethical conduct, which entails a commitment to offer responsible advertising to society and to accept the decisions of an Advertising Jury (*Jurado de la Publicidad*) regarding complaints that may be filed by consumers or competitors with such body.

It has also subscribed to the *Ethical Code for Electronic Commerce and Internet Advertising (Código ético de comercio electrónico y publicidad en internet)*, which is communicated through the inclusion of the Online Trust Mark on the Company's website. A *Code on Self-Regulation of Environmental Claims in Marketing Communications (Código de autorregulación sobre argumentos ambientales en comunicaciones comerciales)* has also been signed with the Ministry of Environment and Rural and Marine Affairs. Iberdrola reviews its commitment to these codes on an annual basis.

ScottishPower complies with all the laws applicable to it on these terms, as well as with conditions SLC 25 and SLC 7B of the supply licence, which requires clarity, simplicity, and justice for customers. It has also voluntarily subscribed to the *Green Supply Guidelines*, which establish the transparent and specific promotion of products affecting the environment. It also complies with the codes of advertising practice of the *Advertising Standards Authority*, ensuring that each advertisement published is approved by teams that verify compliance with good practices.

Elektro has a policy called COE-P-003, which is a formal communication that entails that marketing materials are consistent with the ethical values and principles governing Iberdrola. In Brazil, the affiliates Celpe and Cosern, in addition to having internal rules for the preparation of marketing communications and advertising activities, follow the principles of responsible advertising of the National Council on Advertising Self-Regulation (*Consejo Nacional de Autorregulación Publicitaria*, Conar Statute).

G4-PR6 Sale of banned or disputed products

The products and services sold by Iberdrola are not banned in any of the markets in which it operates. As regards electricity, two aspects can be identified that have traditionally generated certain social debate: electromagnetic fields and nuclear generation. Iberdrola's management of the first one is set forth in the management approach to the Aspect "Customer health and safety" in this chapter, while the second one is fully covered in the "Environment" section of www.iberdrola.com.

G4-PR7 Incidents of non-compliance with regulations and voluntary codes concerning marketing communications.

The following table sets forth the incidents that occurred due to noncompliance regarding marketing, advertising, promotion, and sponsorship in connection with information and labelling during financial year 2015, and which have resulted in 2 fines in the United Kingdom.

Incidents of non-compliances concerning marketing, advertising, promotion and sponsorship (no.)	2015	2014	2013
Expanded boundary			
Resulting in a fine	2	19	1
Resulting in a warning	0	0	0
Relating to voluntary codes	0	0	0
Total incidents	2	19	1

Aspect: Customer privacy

Management Approach

Iberdrola has a *Personal Data Protection Policy*, approved on 15 December 2015 by the Company's Board of Directors, to ensure the privacy of the personal information of the Group's customers. Its purpose is to ensure respect for the right to dignity and privacy in processing of the personal data of any people engaging with the companies of the Group, and particularly compliance with applicable law on this topic.

The Legal Affairs Division and Corporate Security Division are the bodies of the Company responsible for applying these principles, with the technological support of the System Division, in processing the personal data held by the Group for customers, employees, suppliers, and other groups, identifying the types of data and processing, as well as the areas using them.

To ensure compliance with applicable requirements, the Iberdrola Group has established an internal strategy for its companies that rests on the allocation of human resources for management and publication of a global mandatory standard for the processing of personal data, adhering to applicable law in each country.

G4-PR8 Substantiated complaints regarding breaches of customer privacy and losses of customer data.

Incidents relating to privacy (no.)	2015	2014	2013
Expanded boundary			
From regulatory bodies	203	396	418
From other sources, substantiated[67]	888	54	50
Total substantiated complaints	1,091	450	468

Of the incidents arising from regulatory bodies, 10 occurred in Spain, and 193 in the United Kingdom, and of those from other sources, 4 occurred in Spain, 32 in the United Kingdom, and 852 in Brazil.

During 2015, there were also 211 cases of loss of or damage to customer data: 2 in Spain, 41 in the United Kingdom, and 168 in the United States.

Aspect: Compliance

G4-PR9 Significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

During financial year 2015, incidents relating to indicators G4-PR2, G4-PR4, and G4-PR7, as well as other incidents relating to the distribution and retail sale of electricity and gas, involved the following fines:

Fines imposed for distribution and retail sale of electricity and gas (€)	2015	2014	2013
Expanded boundary			
Total amount of fines imposed	2,128,552	5,680,930	7,910,693

A breakdown by geographic area of the total amount of fines imposed is as follows: Brazil, 1,968,674 euros; Spain, 155,373 euros; United States, 4,502 euros; and United Kingdom, 2.75[68] euros. The fines at Celpe (Brazil), regarding quality of the service, voltage level, and other technical violations, are noteworthy due to the significance thereof.

67 2013 and 2014 data do not include Coelba.

68 The regulator Ofgem imposed a nominal fine of £2 (€2.75), plus a payment of £2,400,000 (€3,304,875) on ScottishPower Energy People Trust, which will be distributed to various foundations helping persons who cannot afford to pay gas and electricity bills.

Electric Utilities Sector Specific Aspects

Aspect: Access to electricity

Management Approach

To facilitate access to electricity by certain groups which do not have access to power either because of their vulnerable status or because of various specific difficulties, the Company establishes programmes through its subsidiaries and affiliates that sell electric power, and determines in each case which persons are at risk or may be in a situation of vulnerability.

Access to electricity for vulnerable customers

In December 2015 the Board of Directors approved a change to the *General Corporate Social Responsibility Policy*, which makes it a principle of conduct to pay attention to vulnerable customers and to help facilitate continued access to electricity and gas supply in accordance with the policies established by the competent government administrations.

Among the programmes to facilitate access to energy by people who are at risk of exclusion or in a situation of vulnerability, the Company and its subsidiaries and affiliates engage in various initiatives to facilitate access to people with low income, including the following:

– In Spain, this commitment takes form through the definition and application of a *Vulnerable Customer Protection Procedure*, which is focused on increasing collection periods, making payment terms more flexible, and providing personalised advice. Iberdrola is also encouraging the signing of agreements with various public entities or other collaborating bodies. These agreements allow for the establishment of coordination mechanisms needed to prevent the suspension of electric and/or gas supply due to non-payment of the invoice by economically disadvantaged citizens, and ensuring the immediate restoration of service if already suspended.

– The Company has signed agreements with the Autonomous Governments of the Communities of Madrid, Castile-La Mancha, Galicia, Valencia and with Castile and León and its Regional Federation of Municipalities and Provinces. Agreements have been also executed with municipalities such as those of Bilbao, Castellón, Vitoria-Gasteiz, Alicante, Valencia, Metropolitan Area of Barcelona, and Almassora; and with the Red Cross of the Basque Country. Such agreements protect around 80% of the electricity contracts for first home marketed by Iberdrola in Spain.

– There are also subsidised electricity rates (known as *Bono social*) which allow lower electricity prices to be applied to electricity consumers considered to be vulnerable on the basis of certain social, consumption, and purchasing power characteristics. The *Bono social* is financed by production, distribution, and retail companies based on a quota assigned by the Ministry of Industry, Energy, and Tourism, with 38.25% assigned to Iberdrola, involving close to 72 million euros in 2015. At the end of the year, Iberdrola had 880,600 supplies with subsidised rates.

– In the United Kingdom, ScottishPower has signed the *Energy UK Safety Net for Vulnerable Customers* agreement, which includes a commitment not to disconnect those customers who have been declared vulnerable due to reasons of age, health, disability, or other serious reasons, and to reconnect them, if applicable, on a priority basis. A *Warm Home Discount* scheme for households at risk of poverty is also still in operation.

– In the United States, agreements have been signed with the government to help customers at risk of exclusion and vulnerable customers, and there are specific programmes for these groups, such as the *Home Energy Assistance Program (HEAP)*, the *CMP's Electricity Lifeline Program (ELP)*, and the *Energy Assistance Program (EAP)*. CMP has also implemented an *Arrears Management Program (AMP)*, which is an assistance program for low-income people.

– In Brazil, Elektro and the affiliate companies Coelba, Cosern, and Celpe have a different rate for low-income customers and special prices and terms for persons in difficulty.

Access to electricity for off-grid customers

Energy is an undeniable vector of human growth and development with multiple cross-cutting benefits, as is apparent from Sustainable Development Goal No. 7: "Affordable and sustainable energy". Thus, energy is a source of income and employment generation in communities, and serves as a means to facilitate social changes such as accessibility to information (through television or other media) and essential services such as healthcare and education.

The General Assembly of the United Nations declared 2012 as the *International Year of Sustainable Energy for All*. Within the framework of this effort, the governments, companies, international organisations, and civil society have been called to commit to taking specific actions to make energy accessible for all. Along these lines, at the second *SE4ALL* Forum in New York in 2015, Iberdrola made a public commitment to reach 4 million of beneficiaries of the *Electricity for All* programme by 2020, in order to extend universal access to modern forms of energy that are environmentally, socially, and economically more sustainable, as stated in the chapter on "Society" under the specific Aspect "Iberdrola's contribution to the community".

In addition, Brazilian populations with this difficulty, such as indigenous populations or *quilombolas*, receive various assistance programmes from Elektro. In order to ensure universal access to the distribution network, there are also programmes such as *Luz para Todos (Light for All)*, financed by Banco Nacional de Desenvolvimento Económico y Social (BNDES), with the collaboration of Celpe, Coelba, and Cosern.

EU26 Population unserved in distribution areas

For the companies of the Iberdrola Group in Spain, the United Kingdom, and the United States, the electrification level covers practically the entire population. In Brazil, in the Elektro and Neoenergia distribution area (around 835,000 km^2, with a resident population of slightly more than 33.9 million persons), approximately 257,110 persons do not have electricity, representing less than 1% of the population.

EU27 Residential disconnections for non-payment

A detailed description of the set of procedures implemented in various countries to minimise the effect of supply outages and to provide access to the supply of electric power and gas is contained in the management approach to this Aspect, called "Access to electricity for vulnerable customers".

Information regarding disconnection for non-payment and subsequent reconnections in accordance with the *Electric Utilities Sector Supplement* of the Global Reporting Initiative (GRI) is shown in the following table:

Residential disconnections for non-payment (no.)	2015[69]	2014	2013
Paid up to 48 h after disconnection	970,366	1,254,197	1,312,255
Paid between 48 h and one week after disconnection	305,393	232,862	256,729
Paid between one week and one month after disconnection	213,953	205,104	255,564
Paid between one month and one year	185,922	157,751	254,128
Paid after more than one year	5	24	5
Outstanding and unclassified	53,486	19,529	852,458
Iberdrola total	1,729,125	1,869,467	2,931,139

Residential reconnections following payment of unpaid bills (no.)	2015[69]	2014	2013
Less than 24 h after payment	1,444,560	1,547,230	1,892,374
Between 24 h and one week after payment	162,840	173,820	167,803
More than one week after payment	105,461	112,929	84,770
Unclassified	9,156	70,512	767,143
Iberdrola total	1,722,017	1,904,491	2,912,090

Detailed information on disconnections and reconnections in the various countries can be found in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

69 Does not include those relating to the former UIL Holdings Corporation since its merger with Avangrid in the United States on 16 December 2015, as they are not yet recorded in the corporate systems. This does not distort the comparability of the information given the limited impact resulting from the 15 days that it was part of the Group.

EU28 Power outage frequency

Iberdrola supplies electricity and monitors service quality in various countries. However, the measures in each company are taken according to different rules, following the respective legal requirements or customs, for which reason the Company does not currently have a homogeneous measure of service quality in the various countries in which it operates. The figures are as follows:

– Installed Capacity Equivalent Interrupt Number (Spanish acronym "NIEPI") is used in Spain.

NIEPI	2015	2014	2013
Spain	1.20	1.07	1.20

– Customer interruptions per 100 connected customers ("CI") is used in the United Kingdom.

CI	2015	2014	2013
United Kingdom	40.1	48.0	44.0

– System average interruptions frequency index ("SAIFI") is used in the United States.

SAIFI	2015[70]	2014	2013
United States	1.21	1.23	1.24

– Equivalent frequency of interruption by consumer unit (Portuguese acronym "FEC") is used in Brazil.

FEC	2015	2014	2013
Brazil[71]	7.22	7.62	7.64

The Aspect "Research and Development" in the Economic Dimension of this report provides additional information regarding the development of smart grids to improve, among other goals, the quality of electric supply.

70 Does not include those relating to the former UIL Holdings Corporation since its merger with Avangrid in the United States on 16 December 2015, as they are not yet recorded in the corporate systems. This does not distort the comparability of the information given the limited impact resulting from the 15 days that it was part of the Group.
71 Includes Elektro and Neoenergia.

EU29 Average power outage duration

Similarly to the preceding section, the figures are as follows:

– Installed Capacity Equivalent Interrupt Time (Spanish acronym "TIEPI") is used in Spain.

TIEPI	2015	2014	2013
Spain	61.9 min	55.7 min	62.4 min

– Customer minutes lost per connected customers ("CML") is used in the United Kingdom.

CML	2015	2014	2013
United Kingdom	34.8 min	44.0 min	44.0 min

– Customer average interruption duration index ("CAIDI") is used in the United States.

CAIDI	2015[70]	2014	2013
United States	1.89 h	1.89 h	2.47 h

– Equivalent duration of interruption by consumer unit (Portuguese acronym "DEC") is used in Brazil.

DEC	2015	2014	2013
Brazil[71]	18.81 h	19.93 h	18.61 h

70 Does not include those relating to the former UIL Holdings Corporation since its merger with Avangrid in the United States on 16 December 2015, as they are not yet recorded in the corporate systems. This does not distort the comparability of the information given the limited impact resulting from the 15 days that it was part of the Group.
71 Includes Elektro and Neoenergia.

EU30 Average plant availability

The following table shows the average availability of the Company's various production technologies during financial year 2015.

Average availability factor (%)	2015	2014	2013
Expanded boundary			
Combined cycles	93.30	91.89	90.67
Conventional thermal	75.27	80.91	85.53
Cogeneration	90.48	95.51	91.24
Nuclear	88.69	92.69	88.96
Hydroelectric	85.05	84.91	86.78
Mini-hydro	95.41	94.36	96.69
Biomass	N/A	N/A	N/A
Wind	97.00	96.70	97.29
Total	90.47	88.70	91.49

Information on the availability factors in the various countries is described in the *Information Supplementary to the Sustainability Report 2015*, available at www.iberdrola.com.

Aspect: Access to adequate information

Management Approach

Apart from commercial information, the safety of users of the electricity grid, or the promotion of the efficient use of energy is an on-going concern at the subsidiaries and affiliates of the Group. To progress in all these areas, information and training plans, programmes, and activities are developed in each geographic area.

Accessibility of information

The Iberdrola Group's distribution and supply companies develop various initiatives to make communication with customers having specific difficulties, whether idiomatic or sensory, simpler and more agile.

In Spain, customers are allowed to choose the language in which they would like to be addressed by customer service and in which they would like to receive their bill, and the customer area of the website is accessible in Spanish, Basque, and English. Documents are currently issued in nine languages in addition to Spanish; four Autonomous Community languages (Basque, Galician, Valencian, and Catalan), as well as the five main European languages (German, French, English, Portuguese, and Italian).

Iberdrola is the only company in the energy industry that offers sign language video-interpreting in its customer service area. This initiative arises from the collaboration agreement signed between Iberdrola and Fundación CNSE in 2012, and renewed in 2015. In this way, persons who are deaf or hard of hearing can contact the Company through sign language interpreters.

The corporate website has a *Double-A Technosite + Euracert WCAG 2.0* certificate for compliance with the W3C-WAI's web content accessibility guidelines 2.0, and complies with the guidelines required to satisfy the UNE 139803:2012 Standard governing the degree of accessibility applicable to the websites of public utilities. To ensure that the website meets the relevant accessibility requirements, audits are performed on a half-yearly basis. It should also be noted that an *Iberdrola Customers* app for *iPhone* and *Android* has been developed, and which includes product information and functions of the Virtual Office for residential customers and SMEs, in addition to channels of contact.

In the United Kingdom, ScottishPower provides the necessary mechanisms to communicate effectively with customers who choose Welsh as the language in which they wish to receive service. There is a translation service to facilitate communications in cases where customers find it difficult to make themselves understood in English. In addition, the *Carefree Scheme* offers a variety of services to customers who are visually or hearing impaired, suffer from chronic illness, or are over sixty years old. This service includes the provision of bills in Braille, large print, compact disc, and audio cassette format.

In the United States, the companies CMP and NYSEG have a special communication service for hearing-impaired people called *Telecommunication Device for the Deaf* (TDD/TYY), to facilitate communication through written messages. NYSEG also provides special printed invoices for visually-impaired customers, as well as the ability to use "Customer Advocates" to help people with special needs, which helps them to choose services that might be useful. CMP and RG&E also make interpreters available for persons who request information in a language other than English.

In Brazil, Elektro, Celpe, Coelba, and Cosern develop improvements in physical accessibility at customer service locations and preferential treatment for persons with different abilities. They also implement programmes to provide service, information, and access to billing to persons with visual and hearing impairments, which include: accessible websites, bills in Braille, a dedicated phone line for service to the hard of hearing, special documentation and signage, and employees trained in sign language are also available.

Education in the safe use of electricity

Both the corporate website and the websites of the companies of the Iberdrola Group, make recommendations and information available to consumers regarding the most significant aspects relating to the safe use of electricity, as well as guidelines to follow in case of an electrical accident. They also publish informational booklets regarding the potential risks of electricity affecting the proper use thereof.

In Spain, Iberdrola promotes informational and educational campaigns on safety measures and energy saving directed towards the general public. It also collaborates with consumer associations and special groups in order to contribute to communication on matters relating to safety, training, and education. Iberdrola also spreads information messages regarding safety and energy savings via its customer profile on Twitter (@TuIberdrola).

In the United Kingdom, ScottishPower has maintained its *PowerWise* programme regarding electrical safety for parents, teachers, and students, with 38,682 visits in 2015. It has also continued with extensive campaigns to promote electrical safety, with programmes such as childrens' visits to *DangerPoint* in Northern Wales and *The Risk Factory* in Edinburgh, with a total of 12,228 visits. Further, 4,400 children also attended the event *Crucial Crew*; 189,000 attended the *Royal Highland Show*; and 56,000 attended the *Anglesey Show*, especially dedicated to farm workers and their families.

In the United States, information and recommendations are provided regarding how to act in an emergency, such as adverse weather conditions, poisoning, or health risks, as well as safety advice in case of storms or outages causing lines or equipment to fall. In addition, CMP has launched an *Outreach Campaign* targeting at-risk groups such as school children, contractors, and emergency personnel.

In Brazil, Elektro provides this information on the bill, on the website, and while on hold with the call centre, so as to reach all consumers. Throughout the year, at the affiliated companies Coelba, Cosern and Celpe, numerous programmes were implemented to achieve improved use of electricity, such as the *National Electric Power Safety Week (Semana Nacional de Segurança com Energia Elétrica)*, training activities for low-voltage electricians, the *Energy with Citizens Project (Energia com Ciudadania)*, school projects, etc. The *Celpe Space (Espaço Celpe)* at Celpe provides commercial and orientation services on the safe use of electricity. At Coelba, there have been advertising campaigns about these topics, as well as and educational activities.

Annexes

Annex 1.
GRI Content Index

External assurance:

The contents of this index have been externally assured by an independent entity. The corresponding assurance report can be found in Annex 4 of this document.

Electric Utilities Sector Supplement:

This index incorporates the aspects and indicators of such supplement, published by GRI in 2014 and adapted to G4. The symbol * indicates those general standard disclosures and aspects of GRI-G4 where specific sector information is requested.

Part I. General Standard Disclosures

	Description	Page	External assurance
1.- Strategy and analysis			
G4-1	Statement from the most senior decision-maker	12	✓
G4-2	Key impacts, risks, and opportunities	15	✓
2.- Organisational profile*			
G4-3	Name	19	✓
G4-4	Primary brands, products, and services	19	✓
G4-5	Headquarters	20	✓
G4-6	Countries where there are relevant operations	20	✓
G4-7	Nature of ownership and legal form	20	✓
G4-8	Markets served	20	✓
G4-9	Key figures	21	✓

Part I. General Standard Disclosures

	Description	Page	External assurance
G4-10*	Workforce	24	✓
G4-11*	Employees covered by collective bargaining agreements	24	✓
G4-12	Description of supply chain	25	✓
G4-13	Significant changes during the financial year	29	✓
G4-14	Precautionary principle	30	✓
G4-15	Externally developed principles or initiatives to which the organisation subscribes or which it endorses	30	✓
G4-16	Principal associations to which the organisation belongs	32	✓
EU1*	Installed capacity	34	✓
EU2*	Energy output	35	✓
EU3*	Electricity users and producers	35	✓
EU4*	Transmission and distribution lines	36	✓
EU5*	Allocation of CO_2 emissions allowances or equivalent	36	✓
3.- Material aspects and boundaries			
G4-17	Entities included in the organisation's consolidated financial statements and in the boundary of this report	38	✓
G4-18	Process for defining the report content and the Aspect Boundaries and implementation of the GRI principles	43	✓
G4-19	Material Aspects Identified	43	✓
G4-20	Aspect Boundary within the organisation	43	✓

Part I. General Standard Disclosures

	Description	Page	External assurance
G4-21	Aspect Boundary outside the organisation	43	✓
G4-22	Restatements of information provided in previous reports	46	✓
G4-23	Significant changes in the Scope and Aspect boundaries	46	✓
4.- Stakeholder engagement			
G4-24	Stakeholder groups engaged by the organisation	48	✓
G4-25	Basis for selection of Stakeholders	48	✓
G4-26	Approaches to Stakeholder engagement, including frequency of engagement by type and by stakeholder group	48	✓
G4-27	Key topics and concerns that have been raised through Stakeholder engagement	50	✓
5.- Report profile			
G4-28	Reporting period	53	✓
G4-29	Date of previous report	53	✓
G4-30	Reporting cycle	53	✓
G4-31	Contact point for questions regarding the report	53	✓
G4-32	GRI Index with respect to the “in accordance” option chosen	53	✓
G4-33	External assurance for the report	53	✓
6.- Governance			
G4-34	Governance structure	55	✓

Part I. General Standard Disclosures

	Description	Page	External assurance
G4-35	Delegation of authority from highest governance body to senior executives and other employees	58	✓
G4-36	Executive-level positions with responsibility for economic, social, and environmental topics	58	✓
G4-37	Processes for consultation between Stakeholders and the Board of Directors	58	✓
G4-38	Composition of the highest governance body	60	✓
G4-39	State whether the chair of the highest governance body is also an executive officer and the reasons for this arrangement	60	✓
G4-40	Selection and nomination of the members of the highest governance body	61	✓
G4-41	Processes for the highest governance body to ensure conflicts are avoided	62	✓
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's vision, mission, values, strategies, policies, and goals	63	✓
G4-43	Highest governance body's knowledge of economic, environmental, and social topics	64	✓
G4-44	Highest governance body's performance	65	✓
G4-45	Highest governance body's role in the identification and management of economic, environmental, and social performance, as well as its role in the implementation of due diligence processes and in Stakeholder consultations	65	✓
G4-46	Highest governance body's role in reviewing the effectiveness of the management of economic, environmental, and social risks and opportunities	66	✓
G4-47	Frequency of the highest governance body's review of economic, environmental, and social impacts, risks, and opportunities	66	✓
G4-48	Highest body that reviews and approves the report	66	✓
G4-49	Process for communicating critical concerns to the highest governance body	66	✓
G4-50	Critical concerns communicated to the highest governance body	66	✓
G4-51	Remuneration policies for the highest governance body and senior executives, as well as the relationship to economic, environmental, and social performance	67	✓

Part I. General Standard Disclosures

	Description	Page	External assurance
G4-52	Process for determining remuneration of the highest governance body and senior executives, stating whether independent consultants are involved	68	✓
G4-53	Report how Stakeholders' views are sought and taken into account regarding remuneration	68	✓
G4-54	Ratio of compensation at the organisation	69	✓
G4-55	Increase in compensation at the organisation	69	✓
7.-Ethics and integrity			
G4-56	Description of values, principles, standards, and norms of behaviour such as codes of conduct and codes of ethics	71	✓
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour	72	✓
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity	72	✓

Part II. Specific Standard Disclosures				
General management approach, applicable to all aspects of this report		**75**		✓
Economic dimension				
Material aspects identified	**Disclosures on management approach and corresponding indicators**	**Page**	**Omissions**	**External assurance**
Aspects of the GRI-G4 Guidelines				
Economic performance	G4-EC1 to G4-EC4	79		✓
Market presence	G4-EC5 to G4-EC6	84		✓
Indirect economic impacts	G4-EC7 and G4-EC8	85		✓
Procurement practices	G4-EC9	88		✓
Specific aspects of the GRI-G4 Electric Utilities Sector Supplement				
Availability and reliability	EU10	89		✓
System efficiency	EU11 and EU12	89		✓
Demand-side management	No specific indicators	93		✓
Research and development	No specific indicators	94		✓
Decommissioning of nuclear plants	No specific indicators	97		✓
Specific aspects of the Iberdrola Group				
Supply costs		97		✓
Green bonds		99		✓

Part II. Specific Standard Disclosures				
Environmental dimension				
Material aspects identified	**Disclosures on management approach and corresponding indicators**	**Page**	**Omissions**	**External assurance**
Specific management approach to the environmental dimension		**101**		✓
Aspects of the GRI-G4 Guidelines				
Materials *	G4-EN1 and G4-EN2	103		✓
Energy	G4-EN3 to G4-EN7	106		✓
Water *	G4-EN8 to G4-EN10	114		✓
Biodiversity *	G4-EN11 to G4-EN14, EU13	118		✓
Emissions *	G4-EN15 to G4-EN21	127		✓
Effluents and Waste *	G4-EN22 to G4-EN26	135		✓
Products and Services	G4-EN27 and G4-EN28	141		✓
Compliance	G4-EN29	141		✓
Transport of persons and products	G4-EN30	142		✓
Overall. Expenditures and envestments	G4-EN31	142		✓
Environmental assessment of suppliers	G4-EN32 and G4-EN33	144		✓
Environmental grievance mechanisms	G4-EN34	145		✓

Social dimension

Labour practices and decent work

Material aspects identified	Disclosures on management approach and corresponding indicators	Page	Omissions	External assurance
Specific management approach to labour practices and decent work		**147**		✓
Aspects of the GRI-G4 Guidelines				
Employment *	G4-LA1 to G4-LA3, EU15, EU17, and EU18	148		✓
Labour/management relations	G4-LA4	148		✓
Occupational health and safety *	G4-LA5 to G4-LA8	153		✓
Training and education	G4-LA9 to G4-LA11	159		✓
Diversity and equal opportunity	G4-LA12	163		✓
Equal remuneration for women and men	G4-LA13	163		✓
Supplier assessment for labour practices	G4-LA14 and G4-LA15	167		✓
Labour practices grievance mechanisms	G4-LA16	167		✓

Human rights

Material aspects identified	Disclosures on management approach and corresponding indicators	Page	Omissions	External assurance
Specific management approach to human rights		**168**		✓
Aspects of the GRI-G4 Guidelines				
Investment	G4-HR1 and G4-HR2	169		✓
Non-discrimination	G4-HR3	170		✓
Freedom of Association and Collective Bargaining*	G4-HR4	170		✓
Child labour	G4-HR5	170		✓
Forced labour	G4-HR6	170		✓
Security practices	G4-HR7	171		✓
Indigenous rights	G4-HR8	173		✓
Assessment of impact on human rights	G4-HR9	174		✓

Supplier human rights assessment	G4-HR10 and G4-HR11	174		✓
Human rights grievance mechanisms	G4-HR12	175		✓
Specific aspects of the Iberdrola Group				
Iberdrola and the Global Compact		175		✓

Society

Material aspects identified	Disclosures on management approach and corresponding indicators	Page	Omissions	External assurance
Aspects of the GRI-G4 Guidelines				
Local communities *	G4-SO1 and G4-SO2 EU22	176		✓
Anti-corruption	De G4-SO3 to G4-SO5	181		✓
Public policy	G4-SO6	185		✓
Anti-competitive behaviour	G4-SO7	187		✓
Compliance	G4-SO8	189		✓
Supplier assessment for impacts on society	G4-SO9 and G4-SO10	191		✓
Grievance mechanisms for impacts on society	G4-SO11	193		✓
Specific aspects of the GRI-G4 Electric Utilities Sector Supplement				
Disaster/emergency planning and response	No specific indicators	194		✓
Specific aspects of the Iberdrola Group				
Iberdrola's contribution to the community		195		✓

Product responsibility

Material aspects identified	Disclosures on management approach and corresponding indicators	Page	Omissions	External assurance
Specific management approach to product responsibility		**205**		✓
Aspects of the GRI-G4 Guidelines				
Customer health and safety *	G4-PR1 and G4-PR2 EU25	206		✓
Products and service labelling	G4-PR3 to G4-PR5	209		✓
Marketing communications	G4-PR6 and G4-PR7	211		✓
Customer privacy	G4-PR8	212		✓
Compliance	G4-PR9	213		✓
Specific aspects of the GRI-G4 Electric Utilities Sector Supplement				G4-PR9
Access to electricity	EU26 to EU30	214		✓
Access to adequate information	No specific indicators	220		✓

Annex 2. Content Index in Relation to the Principles of the Global Compact

The table below shows the GRI indicators of this report that offer more relevant information on compliance with the 10 Principles of the Global Compact, as well as the content of the management approaches to each GRI Aspect. Using the table's index, each stakeholder can assess the level of Iberdrola's advancement with respect to each of such principles:

Issue	Global Compact Principles	Most relevant GRI-G4 Indicators
Human Rights	**Principle 1.** Businesses should support and respect the protection of internationally proclaimed human rights.	G4-HR2, G4-HR7 to G4-HR9, G4-HR12 G4-SO1, G4-SO2
	Principle 2. Businesses should make sure they are not complicit in human rights abuses.	G4-HR1, G4-HR10, G4-HR11
Labour Rules	**Principle 3.** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	G4-11 G4-HR4 G4-LA4
	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	G4-HR6
	Principle 5. Businesses should uphold the effective abolition of child labour.	G4-HR5
	Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	G4-10 G4-EC5, G4-EC6 G4-LA1, G4-LA3, G4-LA9, G4-LA11 to G4-LA13 G4-HR3
Environment	**Principle 7.** Businesses should support a precautionary approach to environmental challenges.	G4-EC2 G4-EN1, G4-EN3, G4-EN8, G4-EN15 to G4-EN17, G4-EN20, G4-EN21, G4-EN27 G4-EN31
	Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.	G4-EN1 to G4-EN34
	Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	G4-EN6, G4-EN7, G4-EN19, G4-EN27, G4-EN31
Anti-corruption	**Principle 10.** Businesses should work against corruption in all its forms, including extortion and bribery.	G4-56 to G4-58 G4-SO3 to G4-SO6

Annex 3.
Green Bond Returns Report

Iberdrola issued its first green bond (the "Green Bond") on 24 April 2014.

The proceeds of the Green Bond were used to refinance prior investments in projects that met certain environmental and social responsibility criteria approved both by Iberdrola and subsequently by Vigeo (an independent entity). These projects fall within the areas of renewable energy, transmission, distribution, and smart grids.

The main features of the Green Bond are the following:

Green Bond	
ISIN	XS1057055060
Face value	EUR 750 million
Maturity	October 2022
Coupon	2.50%

The refinancing took place through liability management by means of which the Green Bond was exchanged for other bonds with a shorter maturity issued in 2005 and 2011 (the "Bonds to be Exchanged), in nominal amounts of 320.2, 277.4, and 152.2 million euros. These proceeds were used to finance investments in 2006, 2011, and 2012, respectively.

Iberdrola hired Vigeo as advisor and independent expert in establishing the conceptual framework for the Green Bond, which entailed a definition of the "eligible" projects and the selection of social and environmental criteria to be met thereby. Vigeo was also responsible for issuing an independent second-party opinion regarding the Green Bond, including an assessment of the issuer with respect to both its environmental goals and social responsibility in the development and management of the chosen projects.

The conclusions of Vigeo, together with the eligibility criteria, are described in the "*Second Party Opinion*" available at https://www.iberdrola.es/webibd/gc/prod/es/doc/bono_verde.pdf.

The following tables show where the proceeds were invested:

Use of funds (€ millions)

Year	2006	2011	2012	Total
Renewables	320.9	170.80	86.2	577.9
Distribution	0	94.8	0	94.8
Smart grids	0	23	54.3	77.3
TOTAL	320.9	288.6	140.5	750.0

Investments in distribution and smart grids

Year	Area	Name of project	Location
2011	Distribution	Renewable generation connection in Scotland	United Kingdom
2011	Distribution	Strengthen international connection in Scotland	United Kingdom
2011	Distribution	Castile-La Mancha photovoltaic connection plan	Spain
2011	Distribution/Smart grids	STAR project	Spain
2012	Distribution/Smart grids	STAR project	Spain

Investments in renewables

Year	Technology	Name of project	Location	Installed capacity (MW)
2006	*Onshore wind*	Pico Collalbas	Spain	30
2006	*Onshore wind*	Carrascosa	Spain	38
2006	*Onshore wind*	Sierra Menera	Spain	40
2006	*Onshore wind*	Clares	Spain	32
2006	*Onshore wind*	Escalón	Spain	30
2006	*Onshore wind*	Tarayuela	Spain	30
2006	*Onshore wind*	Morón de Almazán	Spain	50
2006	*Onshore wind*	Los Campillos	Spain	34
2006	*Onshore wind*	Dólar I	Spain	49.5
2006	*Onshore wind*	Dólar III	Spain	49.5
2006	*Onshore wind*	Doña Benita	Spain	32
2006	*Onshore wind*	Ferreira II	Spain	49.5
2006	*Onshore wind*	Hueneja	Spain	49.5
2006	*Onshore wind*	Sil Expansion	Spain	40
2006	*Onshore wind*	O Vieiro	Spain	19.6
2006	*Onshore wind*	Luzón-Norte	Spain	38
2006	*Onshore wind*	Bordecorex Norte	Spain	44
2006	*Onshore wind*	Cerro Blanco	Spain	42
2006	*Onshore wind*	Grijota	Spain	5
2006	*Onshore wind*	Cabezuelo	Spain	30
2011	*Onshore wind*	Mark Hill	United Kingdom	56
2011	*Onshore wind*	Collados	Spain	11
2011	*Onshore wind*	Fuentesalada	Spain	46.4
2011	*Onshore wind*	Cruz de Carrutero	Spain	40
2012	*Onshore wind*	Cabras	Spain	22
2012	*Onshore wind*	Ventosa del Ducado	Spain	44
2012	*Onshore wind*	Layna	Spain	50

Vigeo reviewed these eligible projects by analysing a sample covering approximately 50% of the nominal value of the Bonds to be exchanged, which were exchanged and repaid. Vigeo also performed an analysis to rate Iberdrola's sustainability policies and practices since 2005, finding that the criteria were met with a satisfactory security level.

Apart from disclosing the use of the refinanced funds, Iberdrola also committed to:

i. reporting on compliance with the eligibility criteria in the event of new investments associated with the transaction;

ii. annually reporting on the CSR impacts of the portfolio of investments in eligible assets financed by the transaction. This report would be included as an annex to the Sustainability Report, which is subject to independent third-party assurance.

The following tables describe some of the CSR benefits obtained from these investments.

Investments in renewables

Name of project	Increase in capacity within the horizon of the investment plan (MW)
Castile-La Mancha photovoltaic connection plan	604
Renewable generation connection in Scotland	2,167
Strengthen international connection in Scotland	6,640

Sustainability indicators in the area of smart grids

Star Project	Status as of 2011	Status as of 2012
Smart meters (no.)	154,428	449,441
Smart meters installed (%)	1.44	4.16
Transformer centres adapted for remote management (no.)	583	2.692
Transformer centres adapted for remote management (%)	0.88	4.01

Sustainability indicators relating to investments in renewables financed by the issuance of the Green Bond

Technology	Installed Capacity (MW)	2015 Output (GWH)	CO_2 avoided [72] (t)
Onshore wind	1,002	1,971	489,178

72 Emissions avoided have been calculated using the emission factor for the country in which the facilities are geographically located. Source: *CO_2 emissions from fuel combustion 2015 Edition* of the International Energy Agency. 2013 Factors, and Energy Observatory 2015 for Spain.

External Independent Assurance Report on Green Bond

KPMG Asesores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

Independent Assurance Report for IBERDROLA, S.A. management

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

Background

In April 2014, IBERDROLA, S.A. (hereinafter IBERDROLA) issued the corporate bond ISIN XS1057055060. In the information provided to the market, IBERDROLA committed to publish annual information regarding the social and environmental benefits of the investment, which IBERDROLA considers to be those described in "Annex 3: Green Bond Return Report" to IBERDROLA's Sustainability Report for the year ended 31 December 2015, a copy of which accompanies this report.

IBERDROLA management has requested that we review the indicators for tonnes of CO2 not emitted contained in "Annex 3: Green Bond Return Report".

Responsibilities of IBERDROLA management

IBERDROLA management is responsible for preparing and publishing "Annex 3: Green Bond Return Report" in accordance with the principles of the Global Reporting Initiative's G4 Sustainability Reporting Guidelines relating to the completeness, accuracy and clarity of the information for stakeholders, as indicated in the "Second party opinion on Iberdrola's Green Bond" document, which can be downloaded from https://www.iberdrola.es/webibd/gc/prod/es/doc/bono_verde.pdf.. The opinion describes the criteria for eligibility of projects and the environmental and social performance indicators used in relation to the impact of the investment. Management is also responsible for the information and statements contained in "Annex 3: Green Bond Return Report" and for establishing and maintaining the systems for monitoring and managing performance from which the information is obtained.

Our responsibility

Our responsibility is to perform a limited review and to issue an independent report based on the work performed and evidence obtained. We conducted our work in accordance with the ISAE 3000 standard, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). These standards require that we plan and perform the engagement to obtain limited assurance about whether the information included in "Annex 3: Green Bond Return Report" is free from material misstatement.

KPMG applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Work performed

Our review work entailed making inquiries of management, primarily the persons responsible for preparing the information included in "Annex 3: Green Bond Return Report", and applying analytical and other procedures aimed at compiling evidence, including:

- Risk analysis relating to the information contained in "Annex 3: Green Bond Return Report" and verification of compliance with the principles established by GRI with regard to the information required for the indicators reviewed, referring to tonnes of CO2 not emitted.
- Interviews with the IBERDROLA personnel responsible for providing the information contained in "Annex 3: Green Bond Return Report".
- Analysis of the processes for gathering the quantitative data reflected in "Annex 3: Green Bond Return Report" and the associated internal control processes, in relation to the indicators for tonnes of CO2 not emitted. This procedure included an assessment of the reliability of the information using analytical procedures and sample-based reviews.

The procedures applied in a limited assurance review vary in nature and dedication in terms of time and are less than those applied in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance review is less than for a reasonable assurance engagement. This report must not be considered an auditor's report.

Conclusion

Our conclusion is based on and subject to the aspects indicated in this Independent Assurance Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidence obtained, as described above, no matters have come to light that lead us to believe that the information referred to in the environmental performance indicators for tonnes of CO2 not emitted contained in "Annex 3: Green Bond Return Report" of IBERDROLA, S.A.'s Sustainability Report for the year ended 31 December 2015 has not been prepared, in all material respects, in accordance with the principles of the Global Reporting Initiative's G4 Sustainability Reporting Guidelines relating to the completeness, accuracy and clarity of the information for stakeholders, as indicated in the "Second party opinion on Iberdrola's Green Bond" document. This document describes the criteria for eligibility of projects and the environmental and social performance indicators used in relation to the impact of the investment and includes our review of the reliability of the data obtained, the adequacy of the information presented and the absence of significant deviations and omissions.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

18 February 2016

Annex 4.
External Independent Assurance Report on the Sustainability Report

KPMG Asesores S.L.
Edificio Torre Europa
Paseo de la Castellana, 95
28046 Madrid

Independent Assurance Report for IBERDROLA, S.A. management

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

In accordance with the terms of our engagement letter, we have reviewed the non-financial information contained in the Sustainability Report for the year ended 31 December 2015 (hereinafter 'the Report') of IBERDROLA, S.A. (hereinafter IBERDROLA). The reviewed information comprises the contents of Annex 1: Table of contents, GRI, of this Report.

IBERDROLA management is responsible for the preparation and presentation of the Report in accordance with the G4 Sustainability Reporting Guidelines and Electric Utilities Sector Supplement, as detailed in item G4-32 of the Report. Management is also responsible for the information and assertions contained within the Report; for the implementation of processes and procedures which adhere to the principles set out in the AA1000 AccountAbility Principles Standard 2008 (AA1000APS); for determining IBERDROLA's objectives in selecting and presenting information on its sustainable development performance, including the identification of stakeholders and material aspects; and for establishing and maintaining the performance management and control systems from which the information is derived.

Our responsibility is to carry out a limited assurance review based solely on the information for 2015 and to issue this Report based on the work performed. We have conducted our review in accordance with ISAE 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information), issued by the International Auditing and Assurance Standards Board (IAASB), and with the guidelines issued by the Spanish Institute of Registered Auditors (ICJCE) for corporate responsibility report review engagements. These standards require that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

KPMG applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have also conducted our engagement in accordance with AA1000 Assurance Standard 2008 (Type 2), which covers not only the nature and extent of the organisation's adherence to the AA1000APS, but also evaluates the reliability of performance information as indicated in the scope.

Our limited assurance review consisted of holding interviews with management and the people responsible for the preparation of the information presented in the Report, and applying analytical and other evidence-gathering procedures such as:

- Verifying IBERDROLA's processes for determining the material aspects and engagement of their stakeholders.

- Verifying, through interviews with relevant Group staff and employees of selected business units, the existence of a sustainability and corporate governance strategy and policies to address any material aspects, and the implementation thereof throughout IBERDROLA at every level.

- Evaluating, through interviews, the consistency of the description of the implementation of IBERDROLA's policies and strategy regarding sustainability, governance, ethics and integrity.

- Analysing risks, including a media search, to identify material aspects during the period covered by the Report.

- Verifying the consistency of the information comprising the General Basic Contents against internal systems or documentation.

- Analysing the processes for the compiling of and internal control over the quantitative data reflected in the Report and verifying the reliability of the information using analytical procedures and review testing based on sampling.

- Reviewing the application of the requirements established in the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative for the preparation of reports in accordance with the Comprehensive option.

- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of IBERDROLA.

- Checking that the financial information reflected in the Report has been audited by independent third parties.

Our multidisciplinary team included specialists in AA1000APS, dialogue with stakeholders, social, environmental and economic business aspects.

The procedures applied in a limited assurance review vary in nature and dedication in terms of time and are less than those applied in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance review is less than for a reasonable assurance engagement. This report must not be considered an auditor's report.

Our conclusion is based on and subject to the aspects indicated in this Independent Review Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Sustainability Report of IBERDROLA S.A. for the year ended 31 December 2015 has not been prepared, in all material respects, in accordance with the G4 Sustainability Reporting Guidelines and Electric Utilities Sector Supplement of the Global Reporting Initiative, as detailed in item G4-32 of the Report, which includes the reliability of the data obtained, the adequacy of the information presented and the absence of significant deviations and omissions. Additionally and also based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that IBERDROLA S.A. has not applied the principles of inclusivity, materiality and responsiveness as included in the AA1000 AccountAbility Principles Standard 2008 and as detailed in items G4-26 and G4-27 of the Sustainability Report.

Under separate cover, we will provide IBERDROLA management with an internal report outlining our complete findings and areas for improvement. Without prejudice to our conclusions presented above, we present our key observations below:

In relation to the principle of INCLUSIVITY

During 2015 IBERDROLA approved its stakeholder relations policy, demonstrating its commitment to promoting a framework that favours the engagement of stakeholders in the Group's business and activities by means of an instrument for effective coordination with a view to building ongoing relationships based on trust. This corporate policy encompasses adherence to the programme for implementation of the AA1000 Accountability Principles Standard, which was conducted for all lines of business in 2015, fostering stakeholder subgroup engagement at every level. In relation to the principle of inclusivity, it is recommended that IBERDROLA, in accordance with the provisions of its stakeholder relations policy and using the established processes, systematically and annually review the stakeholder group categories and subcategories identified as relevant for purposes of the management thereof, and the engagement processes and channels. IBERDROLA should formalise this review by presenting the "AA1000APS Report" to the Corporate Committee for Corporate Social Responsibility and Reputation.

In relation to the principle of MATERIALITY

The stakeholder relations policy, which provides a formal framework for effective engagement and dialogue at corporate and business level, also identifies matters relating to the Group's corporate activities which are considered globally material. During 2015 those issues that are material to the various subgroups established have been identified and prioritised at every level and for every line of business. In relation to the principle of materiality , it is recommended that IBERDROLA continue working on effectively evaluating the results obtained through the different engagement channels, as well as through other analyses, adopting the appropriate elements for improvement to ensure that material issues are reported on and made known throughout the organisational hierarchy.

In relation to the principle of RESPONSIVENESS

The stakeholder relations policy approved in 2015 has also formalised IBERDROLA's responsibilities regarding the adoption of action plans to improve the Company's relations with stakeholder groups and address their concerns; the latter takes the form of both corporate responsibility plans and business plans as well as plans for managing relations within each facility, taking into account the specific characteristics of the different stakeholder groups and their regional scope of operation. In relation to the principle of responsiveness, it is recommended that IBERDROLA continue working to ensure that plans and programmes are followed and evaluated at every level of the hierarchy, that the results thereof can be measured, and that they are periodically reported on to the different stakeholder groups.

In accordance with the terms and conditions of our engagement letter, this Independent Assurance report has been prepared in connection with IBERDROLA's 2015 Sustainability Report and, therefore, it may not be used for any other purpose or used in a different context.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

18 February 2016

AA1000
Licensed Assurance Provider
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