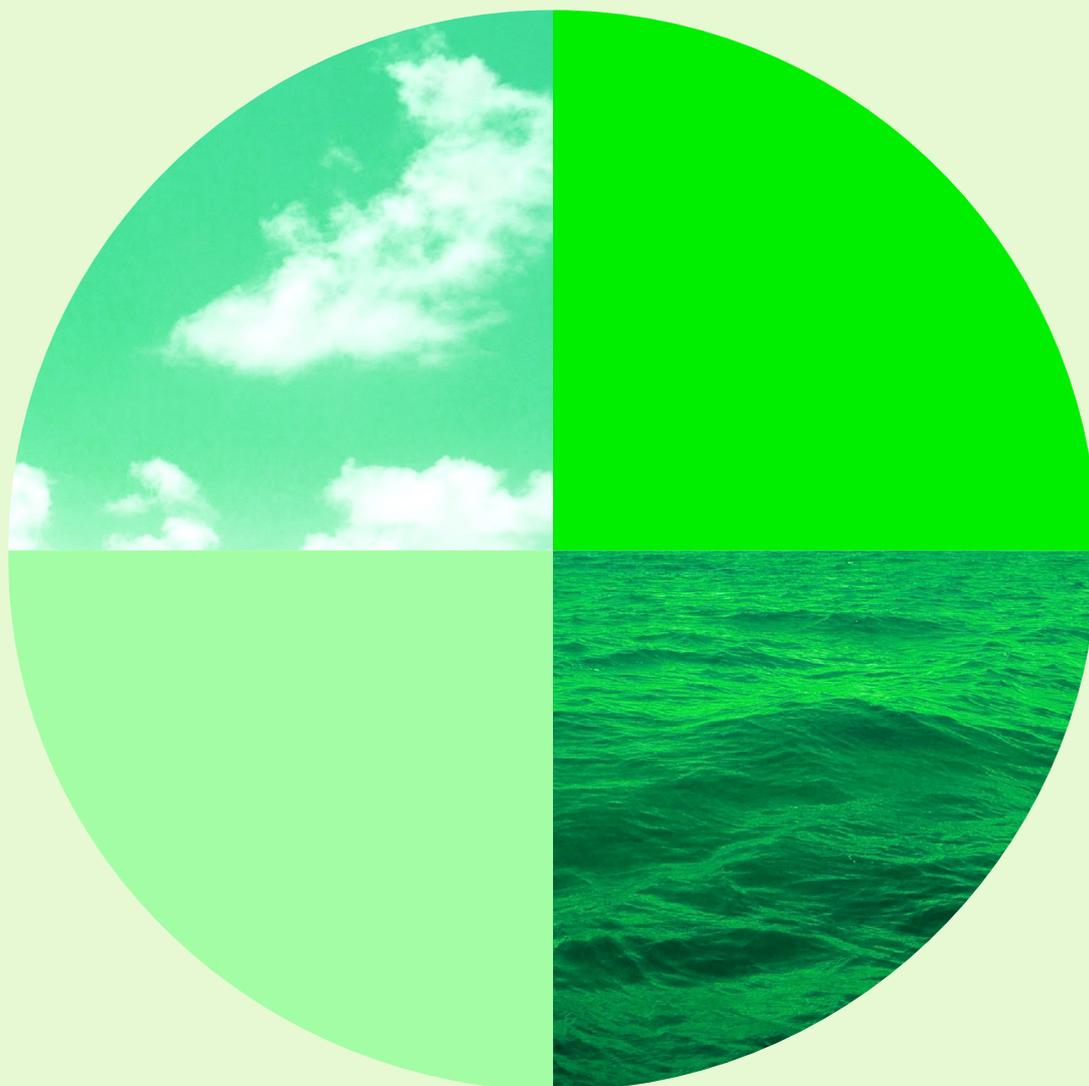


Statement of Non-Financial Information Sustainability Report 2018



Statement of Non-Financial Information Sustainability Report 2018

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Introduction

Iberdrola prepared its first *Sustainability Report* in 2004, thus adopting the best reporting and transparency practices. Since then, the company has become a world leader in defending a model of sustainable and environmentally-friendly growth. Continuing with its commitment, Iberdrola once again submits its **Statement of Non-Financial Information. Sustainability Report 2018**, approved by its Board of Directors at the meeting thereof held on 19 February 2019, after a report from the Sustainable Development Committee of said Board of Directors.

Iberdrola publishes this report in order to give its Stakeholders a true and accurate view of its non-financial performance during financial year 2018, and in order for them to also understand both the group's social dividend and its contribution to the Sustainable Development Goals of the 2030 Agenda of the United Nations, in compliance with the commitments assumed in the [By-Laws](#) and in the [General Sustainable Development Policy](#).

Iberdrola thus satisfies the growing demand by society in general, and shareholders and investors in particular, for companies to also explain their non-financial performance in the environmental, social and corporate governance (ESG) fields, with the understanding that good performance in these areas is an essential factor for the success of companies.

After the entry into force in 2014 of *Directive 2014/95/EU*, the Directive was transposed into the Spanish legal system in 2017 by means of *Royal Decree-law 18/2017, of 24 November*. In 2018, *Law 11/2018, of 28 December, on non-financial information and diversity* was approved. This new law expands the obligations to publish non-financial information, which includes environmental and social aspects, the management of people, diversity, respect for human rights and the fight against corruption and bribery, describing the risks, policies and results connected to these issues. This document covers the requirements arising from the entry into force of the new legal provision, forming an integral part of the company's management report.

This report has been prepared in accordance with the reporting requirements and recommendations of the *Consolidated Set of GRI Sustainability Reporting Standards 2016* (Comprehensive option) and the *Electric Utilities Sector Supplement*, both of the *Global Reporting Initiative* (GRI). As a new development, and to make the report easier to read, the report has been structured into topics instead of following the order of GRI indicators. References to the GRI indicators covered in each section have been added in the texts (e.g.: 102-7).

Readers of the *Statement of Non-Financial Information. Sustainability Report 2018* can also refer to the *Annual Financial Report 2018* and the *Annual Corporate Governance Report 2018*, as well as the *Integrated Report. February 2019*, all of which are accessible in the ["Annual Reports"](#) section, and which contain additional useful information for a better understanding of Iberdrola's performance during the financial year and of its future prospects, based on the principles of transparency and disclosure set out in the [Stakeholder Relations Policy](#).

Finally, to facilitate access to all available information, direct links are included throughout this report to both the corporate website (www.iberdrola.com) and to other pages of the group, as well as to official documents published thereon in PDF format. To open these links, click with the left button of your mouse directly on texts identified with the following format: [link example](#).

Notes:

The report boundary is described in chapter III. About the report in this document.

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 (.).

Letter from the Chairman



Ignacio Galán
Chairman of the Board of Directors & CEO of
Iberdrola, S.A.

© Rosa Muñoz

“At Iberdrola we aim to be ever closer to people. Contributing to their wellbeing and progress and preserving the planet on which we all live are the main hallmarks of our identity”.

102-14

The Sustainability Report I have the pleasure of presenting to you is intended to summarise the most important information on the company's last 12 months. As you will find, over the course of this financial year Iberdrola has achieved major milestones that represent great progress in our plans across all countries and all areas of the group's activity, combining financial results with the sustainable creation of value for the company.

As is customary, this report is structured following the Global Reporting Initiative (GRI) guidelines, providing a detailed and transparent presentation of our performance in the financial, social and environmental spheres.

In 2018, we made significant progress in meeting our investment plan to 2022. Over 5,300 million euros of gross investment represents one of the highest levels of investment by the group in a single financial year, which has enabled us to shorten the term for achieving our goals by almost a year.

Iberdrola's activities in 2018 show that our group has the people, the technology, the resources, the experience and the knowledge required to lead state-of-the-art energy projects worldwide. A clear example of this is the Wikinger offshore wind farm, which we have inaugurated in the German Baltic Sea and to which there will soon be added the Baltic Eagle and Wikinger Süd offshore wind farms, also in German waters.

In this technological area, we have started construction in the British North Sea of what will be one of the largest wind farms in the world, East Anglia One, capable of supplying entirely emission-free energy to approximately one-and-a-half million people. And we are developing other projects in the United States (Vineyard, Kitty Hawk and Massachusetts Zone III) and in France (Saint Brieuc), which strengthen our strong commitment to offshore wind power.

We also completed other highly significant projects in 2018, such as the Western Link high-voltage direct current cable connecting Scotland and Wales, which transports energy via the longest undersea electric cable in the world, and the Santiago and Hermosillo photovoltaic power stations in Mexico, which will avoid the atmospheric emission of around 550,000 tons of CO₂ per year. In Spain, we have achieved the full digitalization of our distribution network via the STAR project, which also involved the installation of 11 million smart meters allowing for improved service and network efficiency and the integration of more renewable energies and of new electric mobility solutions.

At the same time, we have made headway in the development of major initiatives that we hope to complete in the coming years, such as the NECEC project (the new transmission line between Quebec and Massachusetts, which will supply 100 % renewable energy to 1.2 million homes), the Tâmega hydroelectric pumping complex (one of the most significant energy projects in Portuguese history), and increased commercial activity in countries like France and Italy.

All these advances strengthen the wager that we have been making at Iberdrola for almost two decades, a commitment to make the investment in renewable energies, storage, smart grids and new customer services required to lead the sustainable and efficient energy transition that our sector requires.

Record of results

The information included in this Report also shows that our firm commitment to a cleaner and more sustainable world is fully compatible with growing the company's operating and financial parameters and profitability.

Stimulated by the strong performance of all our businesses across all countries and by the progress of our plans, our revenue rose by 12.2 % to overcome 35,000 million euros, EBITDA increased by 27.7 % to 9,349 million euros and net profit grew by 7.5 % in comparison with the previous year, to 3,014 million euros.

The positive performance turned in by the company during the year allowed for a proposal to the shareholders of an increase in shareholder remuneration of almost 7.7 %, to 0.351 euro per share. If we add to this the performance of the share price on the financial markets, the total return on our shares in

2018 stands at 14 %, compared to -11.5 % for the Ibex-35 index and -11.3 % for the Eurostoxx 50. This placed Iberdrola among the four largest electricity companies worldwide by market capitalisation at year-end.

Strengthening future growth

We will continue to progress in the achievement of our plans over the coming years, with the development of more renewable energies (onshore and offshore wind, photovoltaic and hydroelectric), more smart grids and new products and services for our customers.

Specifically, in Spain and within the framework of the opportunities offered by the energy transition, we are already substantially increasing and will continue to increase our renewable capacity, with the installation of new photovoltaic plants and wind farms: in Brazil, we will continue to extend our transmission and distribution grid infrastructure and to invest in clean energy; in the United Kingdom and the United States, we will move forward with our plans for transmission and distribution grids and the installation of new onshore and offshore wind farms; and in Mexico we are building plants to increase our installed combined cycle and renewables capacity, which will help to provide a more stable and secure system. We will also make a major commitment to the sale of electricity, gas and products and services in these five countries, as well as in other European countries in which we already operate.

The aim is to continue growing and to do so in the most profitable, but at the same time sustainable, manner. If anything distinguishes us at Iberdrola, it is our close link to sustainability in the broadest sense of the word, because we are convinced that it is essential to harmonise our commitment to state-of-the-art technology with improving people's daily lives and protecting the environment.

Increase in social dividend

In 2018, we reformed our corporate governance system in order to formalise and develop Iberdrola's commitment to compliance with the United Nations Sustainable Development Goals (SDGs), which have been fully integrated into the company's sustainability policies and By-Laws as part of our Social Dividend.

Of note in this regard is the fundamental contribution that our work as an electricity company makes to SDGs 7 (affordable and clean energy) and 13 (climate action), among others. In 2018, we continued to increase our emission-free installed capacity up to approximately 33,000 MW, 68 % of our total capacity, and we recorded a CO₂ emission intensity of 82 grams per kilowatt-hour in Spain, well below that of other Spanish companies and approximately 75 % less than the average for European companies.

As a socially responsible company, we also contribute actively to the other SDGs, including those relating to decent work and economic growth (SDG 8), gender equality (SDG 5), industry, innovation and infrastructure (SDG 9), sustainable cities and communities (SDG 11) and partnerships for the goals (SDG 17).

We continued to promote the creation of high-quality employment in 2018, with around 3,500 new hires and more than 1,400 recruitments of young trainees. Our workforce today amounts to 34,000 people, to whom we can add the other 390,000¹ people that Iberdrola provides with employment through its worldwide activities. And we have continued to encourage the professional development and training of our team, with more than one-and-a-half-million hours of training given (47 hours per employee, four times more than the European average) and 2,700 internal promotions.

At the same time, we have kept firm in our commitment to equality between men and women in all areas. For example, there is no gender-based salary gap at the Iberdrola group, and we are also the Ibex-35 company with the largest number of women on its Board of Directors, with 50 % of the external directors being women.

We have also reinforced our commitment to the economic development of all the countries in which we operate, through our purchases from local suppliers (close to 8,000 million euros in 2018) as well as our tax contribution (7,939 million euros). Overall, for every euro of profit that Iberdrola makes, the company has generated more than 10.3 euros in the GDP of these countries¹.

¹ Data from PwC report (January 2019) based on figures from 2017.

Iberdrola has likewise continued to strengthen investment in innovation (with around 270 million euros invested during the financial year) for the development of new energy transition-related technologies. This has cemented our position in the main indices in this area.

2018 has also seen strong development in the work of our Foundations worldwide, which have increased their activities in areas such as social action and solidarity, art and culture, biodiversity and training, research and development of young talent in order to provide help to those who most need it, conserve and value our heritage and respond to the main challenges that society is facing. We are proud that our growth takes place within a framework of solidarity, collaboration and dialogue with disadvantaged groups.

At Iberdrola we aim to be ever closer to people. Contributing to their wellbeing and progress and preserving the planet on which we all live are the main hallmarks of our identity.

It is precisely for this reason that we have defined our purpose –a statement that summarises our main *raison d'être*, the motivation for our activities and the value that Iberdrola contributes to society–, which has been established as follows: “to continue building together each day a healthier, more accessible energy model, based on electricity”.

This purpose is based on three fundamental pillars that constitute the updated values of the Iberdrola group: “Sustainable Energy, Integrating Force and Driving Force”, which are underpinned by essential elements such as ethics, transparency, diversity, dialogue, innovation, diligence and foresight.

Iberdrola is thereby deepening its commitment to achieving the Sustainable Development Goals and to the creation of value for all Stakeholders, the basis of our Social Dividend.

From this corporate perspective and naturally through our daily management, we will continue working together, with conviction and commitment, to contribute to a world that is better, more equitable and with more and better opportunities for all.

Ignacio S. Galán,
Chairman & CEO of Iberdrola

Corporate Reputation: Recognitions, Presence in External Indexes and External Evaluations

| | Indexes or organisations | Rating or status ² |
|---|--|--|
|  | Dow Jones Sustainability World Index 2018 | Selected in utilities sector. Member in all editions |
|  | Global 100 | Iberdrola selected |
|  | FTSE 4Good | First utility with nuclear assets selected for the index for 8 years in a row |
|  | CDP Climate Change Index 2018 | A- |
|  | CDP Supply-Chain | A-List, the highest category |
|  | MSCI Global Sustainability Index Series | Iberdrola selected AAA |
|  | Euronext Vigeo Eiris index: World 120, Eurozone 120 y Europe 120 | Iberdrola selected |
|  | Sustainability Yearbook 2018 | Classified as "Silver Class" in the electricity sector |
|  | MERCO 2018 | mercoEmpresas: Leader among Spanish utilities: energy, gas and water |
|  | ET Global 800 ET Europe 300 | Iberdrola selected |
|  | Ranking 2018 World's Most Ethical Companies, elaborado por el Instituto Ethisphere | Only Spanish utility present in the ranking. Selected for the fifth consecutive year as one of the most ethical companies in the world |
|  | Fortune Global 500 | Iberdrola selected |
|  | Stoxx Global ESG Leaders/Eurostoxx Sustainability 40/Eurostoxx ESG Leaders 50 | Iberdrola selected |
|  | InfluenceMap | Iberdrola among top 25 scoring companies |
|  | Bloomberg Gender-Equality Index 2019 | Only Spanish electrical utility included in the 2019 ranking. Selected in recognition for its equal opportunity and gender equality policies |
|  | ISS- Oekom | Iberdrola classified as Prime |
|  | EcoAct | Iberdrola classified as top utility and top 10 in the world in the 2018 sustainability reporting performance report |
|  | Forbes | Iberdrola selected in Forbes 2018: GLOBAL World's Largest Public Companies 2000 |
|  | ECPI | Iberdrola selected in various sustainability indices |
|  | Energy Intelligence EI NEW ENERGY GREEN UTILITIES REPORT | Iberdrola among the top three utilities in the EI New Green Utilities Report 2018 |

2. As at the date of approval of this report by the Board of Directors.

I. About Iberdrola

I.1. Profile of the Company

- Purpose and values
- Presence by areas of activity
- Main products and services: the Iberdrola brand
- Key operating figures
- Corporate and governance structure, ownership and legal form

Purpose and values

102-16

102-26

In 2018 Iberdrola began a process of articulating a unique and relevant Corporate Purpose going beyond the traditional concept of mission and vision to describe its long-term *raison d'être* and contribute to the cohesion, differentiation and generation of trust among all the Stakeholders.

The proposal reflects and confronts the main social trends, the major economic, social and environmental challenges and expectations of the Stakeholders, and also defines Iberdrola's role in society as an agent for change and transformation of the electricity sector.

Iberdrola's Corporate Purpose has thus been defined as follows:

“To continue building together each day a healthier, more accessible energy model, based on electricity”.

This Purpose conveys:

- The Iberdrola group's commitment to what today constitutes an urgent social need: the transformation of the current energy model towards a new model that prioritises the well-being of people and the preservation of the planet.
- The Iberdrola group's commitment to a real and global energy transition based on decarbonisation and electrification of the energy sector and of the economy as a whole decidedly contributes to the fight against climate change, and at the same time favours the creation of new opportunities for economic, social and environmental development.
- The foresight of the Iberdrola group, spending more than a decade working to make this transformation a reality, driving the development of clean energy throughout the world, and continuing to invest its resources to reach the objectives of the Paris Agreement.
- The Iberdrola group's determination to continue building a more electricity-based energy model, which reduces dependency on the use of fossil fuels and generalises the use of renewable energy sources, the efficient storage of energy, smart grids and digital transformation.
- The conviction that a more electricity-based energy model is also healthier for people, whose health and well-being in the short term depend on the environmental quality of their surroundings (air, water, food, biodiversity, etc.) and, in the long term, to the success of the fight against climate change.
- The aspiration for the new energy model to also be more accessible to all, thus favouring inclusiveness, equality, equity and social development.
- The desire to continue building this new model in collaboration with all involved players: governments, institutions, companies, tertiary sector, citizens, etc., because this is a tremendous shared challenge to ensure the present and future of the societies in which we live.

This Corporate Purpose is aligned with the social dividend strategy, the principles of Sustainable Development, Corporate Social Responsibility, and thus the 2030 Agenda - Sustainable Development Goals of the United Nations.

To attain said Purpose, the Iberdrola group condensed its corporate values into the following three concepts:

- **Sustainable energy:** because the Iberdrola group seeks to always be a model of inspiration, creating economic, social and environmental value in all of its surroundings, and with the future in mind.

This value expresses the commitment to:

- Responsibility
- Ethics
- Safety
- Transparency

- **Integrating force:** because the Iberdrola group works with force and responsibility, combining talents, for a Purpose that is to be achieved by all and for all.

This value expresses the commitment to:

- Diversity
- Dialogue
- Empathy
- Solidarity

- **Driving force:** the Iberdrola group makes small and large changes into reality in order to ease the life of people. And it performs this work while always seeking to continually improve, efficiently and with high self-imposed standards.

This value expresses the commitment to:

- Innovation
- Simplicity
- Agility
- Foresight

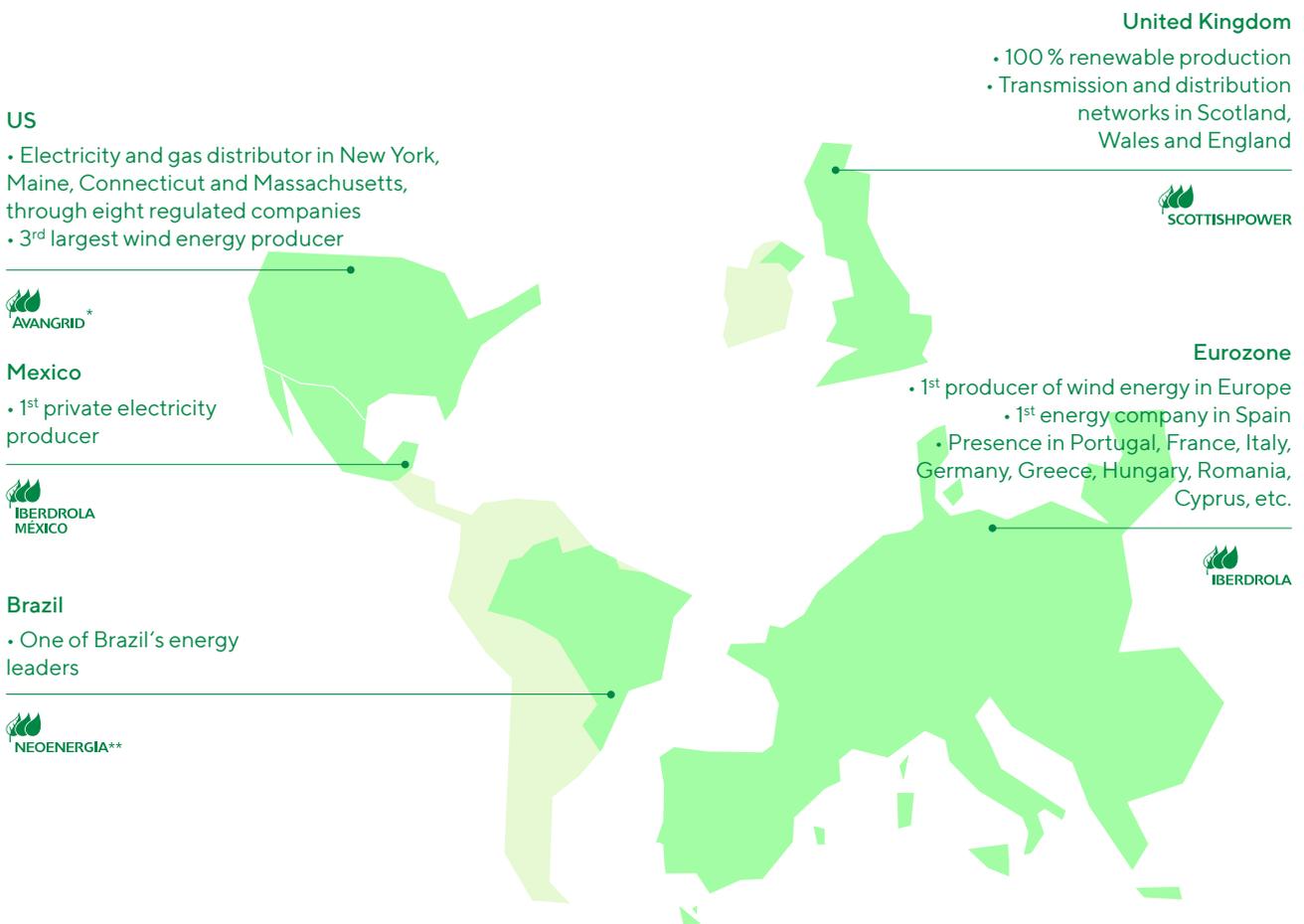
Presence and areas of activity

102-4

Iberdrola and its subsidiaries and affiliates carry out their activities in almost thirty countries. However, for operational and economic/financial purposes, Iberdrola concentrates a large portion of its business activities in five principal countries: Spain, the United Kingdom, the United States, Brazil and Mexico. It also engages in activities in Germany, Portugal, Italy and France, among other countries.

The following infographic shows the group’s principal areas of activity. The countries in which it operates, the activities performed in each of them and the criteria used to define the significance thereof are set forth in the “Scope of Information” section of this report.

An international energy leader



* Avangrid, Inc. is 81.50 % owned by Iberdrola, SA.
 ** Neoenergia is 52.45 % owed by Iberdrola, S.A.

Main products and services: the Iberdrola brand

102-2 102-6

The main product that Iberdrola makes available to its customers is electricity, but the group also offers a broad array of products, services and solutions in the areas of:

- Protection of the environment: renewable energy and sustainable mobility.
- Quality of electricity supply and safety of facilities.
- Distribution and sale of gas.
- Improvement in the consumer’s quality of life, peace of mind and safety.
- Efficiency, digitalization and energy services.
- Assembly of electricity infrastructure.
- Comprehensive management of energy facilities and supplies.

More detailed information in this regard can be found in the “Group Structure” section of the website.

The “Iberdrola” brand

The “Iberdrola” brand is a reflection of its corporate Purpose and Values (see the Purpose section of this chapter), is based on the company’s strategy, which gives it credibility and strength, and conveys its commitment: the sustainable creation of value for all of its Stakeholders, contributing to the development of the communities in which we do business and to the well-being of people, providing a high-quality service and offering environmentally-friendly, efficient and innovative energy solutions.

Iberdrola knows how to identify and adjust to the needs of each of the countries in which it does business. The company has used its experience in each market to strengthen its brand value, and beyond the location of the business, it has created a brand culture based on a global/local balance. Iberdrola has the brand names listed in the table below at year-end 2018:

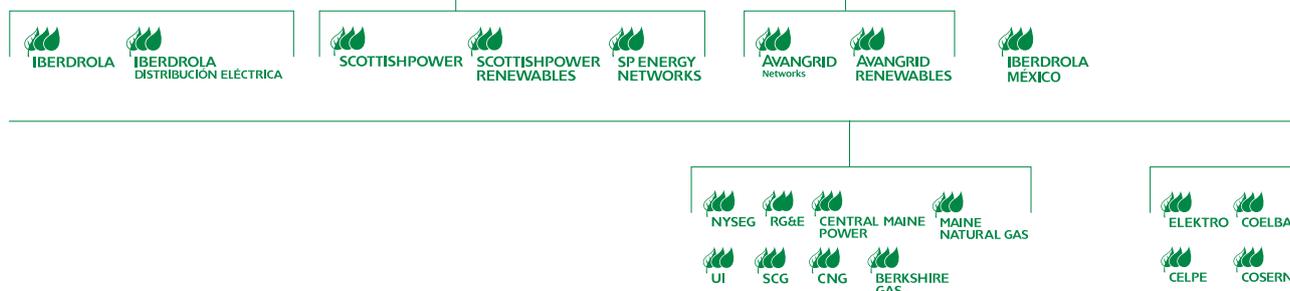
Parent brand



Local brands



Operating brands



The table above shows the most important brands having the largest operational and market presence in each country. The company has other brands at the local and business level.

Key operating figures³

Installed capacity, output, networks and users

At year-end 2018, Iberdrola had 47,448 MW of installed capacity, 68.2 % of the total corresponding to emission-free technologies.

EU1

| Installed capacity by energy source (MW) | 2018 | 2017 | 2016 |
|--|---------------|---------------|---------------|
| Renewables | 29,177 | 29,113 | 27,813 |
| <i>Onshore wind</i> | 15,671 | 15,533 | 14,820 |
| <i>Offshore wind</i> | 544 | 544 | 194 |
| <i>Hydroelectric</i> | 12,252 | 12,513 | 12,378 |
| <i>Mini-hydro</i> | 303 | 303 | 302 |
| <i>Photovoltaic solar and other</i> | 406 | 219 | 120 |
| Nuclear | 3,177 | 3,177 | 3,410 |
| Combined cycle | 12,885 | 13,985 | 13,637 |
| Cogeneration | 1,335 | 1,299 | 1,315 |
| Coal | 874 | 874 | 874 |
| Total | 47,448 | 48,447 | 47,049 |

Production for the year was 145,597GWh, showing growth of 5.9 %:

EU2

| Net energy output by source of energy (GWh) | 2018 | 2017 | 2016 |
|---|----------------|----------------|----------------|
| Renewables | 61,754 | 50,747 | 56,443 |
| <i>Onshore wind</i> | 36,605 | 33,878 | 32,162 |
| <i>Offshore wind</i> | 1,642 | 821 | 728 |
| <i>Hydroelectric</i> | 22,416 | 15,321 | 22,597 |
| <i>Mini-hydro</i> | 670 | 394 | 686 |
| <i>Photovoltaic solar and other</i> | 421 | 333 | 270 |
| Nuclear | 23,536 | 23,254 | 24,381 |
| Combined cycle | 50,654 | 54,053 | 50,892 |
| Cogeneration | 8,016 | 6,853 | 6,947 |
| Coal | 1,637 | 2,642 | 3,803 |
| Total | 145,597 | 137,549 | 142,466 |

³ Operating figures include figures corresponding to partially owned and uncontrolled companies, applying the percentage interest.

The following table shows the net output for 2018 broken down by country and technology type. 42.4% of generation was from renewable sources, an increase during the financial year of 5 percentage points over the prior year.

| 2018 net output by technology and country (GWh) | Spain | United Kingdom | United States | Brazil | Mexico | Other countries |
|---|---------------|----------------|---------------|---------------|---------------|-----------------|
| Renewables | 25,973 | 5,146 | 17,261 | 10,099 | 1,095 | 2,180 |
| Nuclear | 23,536 | 0 | 0 | 0 | 0 | 0 |
| Combined cycle | 4,092 | 5,530 | 8 | 3,553 | 37,470 | 0 |
| Cogeneration | 2,472 | 0 | 2,713 | 0 | 2,831 | 0 |
| Coal | 1,637 | 0 | 0 | 0 | 0 | 0 |
| Total | 57,711 | 10,675 | 19,983 | 13,652 | 41,396 | 2,180 |

In 2018, 93% of production was achieved using local sources of energy⁴, as shown in the following table:

| 2018 production with local sources of energy | (%) |
|--|-----------|
| Spain | 86 |
| United Kingdom | 100 |
| United States | 86 |
| Brazil | 100 |
| Mexico | 100 |
| Other countries | 100 |
| Iberdrola group average | 93 |

At the end of financial year 2018, the companies of the group, as a whole, handled 30.6 million electricity supply points (30.3 in 2017). More than 90% are residential customers.

EU3 102-6

| Electricity users (%) | 2018 | 2017 | 2016 |
|-----------------------|------------|------------|------------|
| Residential | 90.2 | 90.1 | 90.2 |
| Industrial | 0.9 | 1.0 | 1.0 |
| Institutional | 0.9 | 1.0 | 0.9 |
| Commercial | 5.9 | 5.8 | 5.8 |
| Other | 2.1 | 2.1 | 2.1 |
| Total | 100 | 100 | 100 |

⁴ All renewable and non-renewable sources available in the country, as well as nuclear fuel acquired from the Spanish company Enusa, are considered local sources of energy.

| Users who are producers (no.) | 2018 | 2017 | 2016 |
|--|--------|--------|--------|
| Users that are also producers of electricity | 87,081 | 72,073 | 83,626 |

The group operates more than 1.1 million kilometres of transmission and electricity distribution lines.

The following table shows the detail by type of line. Due to the nature of the electricity systems in each country, the voltage levels used to classify lines as transmission or distribution are different. In Brazil, the United States and in the United Kingdom, transmission lines are deemed to be those with a nominal voltage equal to or greater than 30 kV; and in Spain, by law, Iberdrola does not have transmission.

EU4

| Power lines ⁵ (Km) | 2018 | 2017 | 2016 |
|-------------------------------|---------------------------|------------------|------------------|
| Transmission | | | |
| Overhead | 17,765 | 48,088 | 48,032 |
| Underground | 1,244 | 1,999 | 987 |
| Total | 19,009⁶ | 50,087 | 49,019 |
| Distribution | | | |
| Overhead | 962,940 | 911,474 | 875,140 |
| Underground | 191,723 | 195,050 | 193,285 |
| Total | 1,154,663 | 1,106,524 | 1,068,425 |

During financial year 2018, the companies of the group produced electricity with a volume of 145,970 GWh, distributed 233,435 GWh of electricity, and supplied 126,341 GWh of gas.

| Products or services provided | 2018 | 2017 | 2016 |
|----------------------------------|---------|---------|---------|
| Net electricity production (GWh) | 145,970 | 137,549 | 142,466 |
| Electric power distributed (GWh) | 233,435 | 230,151 | 229,920 |
| Gas supplies to users (GWh) | 126,341 | 122,010 | 127,425 |

Operations (locations)

The Iberdrola group has identified more than 1,200 sites at which the company operates. In order to properly report on such a large number of them from the viewpoint of the disclosures required by the GRI Standards, rationalisation criteria have been used to address them; accordingly, the number of Iberdrola's locations of operation at year-end 2018 is deemed to be 150 for purposes of this report.

Detailed information on these locations and on the criteria used to define them can be found in Annex 1 Supplementary Information.

⁵ 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.

⁶ Since 2018 subtransmission in the United States and Brazil is recorded as distribution network. Until then it was recorded as transmission network.

Employees

The group had 34,078 employees at year-end 2018, with the following breakdown by country.

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| Employees ⁷ | 2018 | 2017 | 2016 |
|------------------------|---------------|---------------|---------------|
| Spain | 9,822 | 10,296 | 10,395 |
| United Kingdom | 5,611 | 6,067 | 6,373 |
| United States | 6,449 | 6,561 | 6,849 |
| Brazil | 10,749 | 10,096 | 9,429 |
| Mexico | 1,112 | 944 | 874 |
| Other countries | 335 | 291 | 162 |
| Total | 34,078 | 34,255 | 34,082 |

The distribution by types of employment and contract is reflected in the following table

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| Employees ⁸ | 2018 | | | 2017 | | | 2016 | | |
|----------------------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| By employment type | | | | | | | | | |
| Full-time | 25,015 | 7,339 | 32,354 | 26,050 | 7,182 | 33,232 | 25,720 | 7,252 | 32,972 |
| Part-time | 1,102 | 622 | 1,724 | 179 | 844 | 1,023 | 205 | 905 | 1,110 |
| By type of contract | | | | | | | | | |
| Permanent | 25,840 | 7,890 | 33,730 | 26,073 | 7,965 | 34,038 | 25,531 | 8,018 | 33,549 |
| Temporary | 277 | 71 | 348 | 156 | 61 | 217 | 394 | 139 | 533 |
| Total | 26,117 | 7,961 | 34,078 | 26,229 | 8,026 | 34,255 | 25,925 | 8,157 | 34,082 |

Policies regarding subcontracted personnel are set out in the Creation of Employment and Salaries section of Chapter II-1 Sustainable Economic Growth.

7 The figures in the table reflect the number of employees at year-end 2018, 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): 28,355 in financial year 2016, without including the consolidation of Neoenergia, 33,772 in financial year 2017 and 33,747 in financial year 2018.

8 The boundary is defined in Chapter IV. About the Report in this document. Information by geographic area can be found in Annex 1 Supplementary Information.

Revenue, equity and assets

The main figures relating to turnover, value of assets and liabilities and composition of consolidated property, plant and equipment are the following:

| Net sales (Net revenue) (€ millions) | 2018 | 2017 | 2016 |
|--------------------------------------|--------|--------|--------|
| Iberdrola consolidated total | 35,076 | 31,263 | 29,216 |

| Capital structure, broken down in terms of debt and equity (€ millions) | 2018 | 2017 | 2016 |
|---|--------|--------|--------|
| Equity of controlling company | 36,582 | 35,509 | 36,691 |
| Bank borrowings, gross | 37,990 | 37,115 | 32,025 |

| Assets (€ millions) | 2018 | 2017 | 2016 |
|---|----------------|----------------|----------------|
| Iberdrola consolidated total assets | 113,038 | 110,689 | 106,706 |
| Gross property, plant and equipment in operation | 97,911 | 94,928 | 96,585 |
| Accumulated amortisation and provisions | (39,394) | (37,627) | (39,242) |
| Property, plant and equipment in operation | 58,517 | 57,301 | 57,343 |
| Gross property, plant and equipment in progress | 7,651 | 6,837 | 6,727 |
| Provisions | (59) | (56) | (235) |
| Property, plant and equipment in progress | 7,592 | 6,781 | 6,492 |

Information on the key figures by geographic area can be found in Annex 1 Supplementary Information.

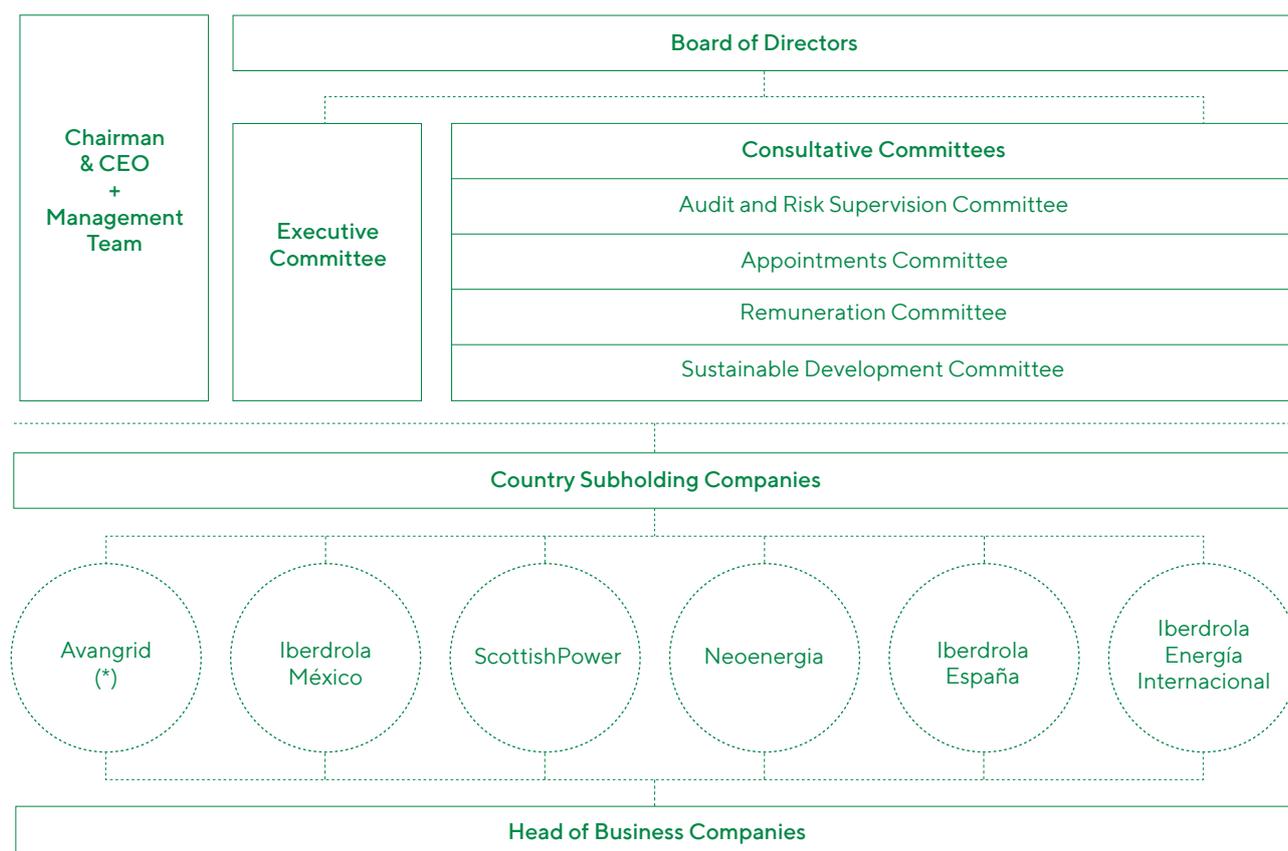
Corporate and governance structure, ownership and legal form

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

The corporate and governance structure of the company and of the group, which forms an essential part of the company's [Corporate Governance System](#), is reflected in the following chart:

Corporate and governance structure of Iberdrola, S.A.



(*) Company listed on the New York Stock Exchange.

Such corporate and governance structure of the company and of the group is defined on the grounds described below, which 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:

- Vesting in the company's Board of Directors of powers regarding approval of the strategic goals of the group and the definition of its organisational model, as well as supervision of compliance therewith and development thereof.
- Assumption by the chairman & CEO, with the technical support of the Operating Committee, by the Business CEO, 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.
- The function of strategic organisation and coordination is also strengthened through country subholding companies in those countries in which the Board of Directors of the company has so decided. These entities group together equity stakes in the energy head of business companies carrying out their activities within the various countries in which the group does business. This

structure is rounded out with a country subholding company that groups together certain equity interests in other entities, including the non-energy head of business companies, with a presence in various countries. One of the main functions of the country subholding companies is to centralise the provision of services common to the 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 supervising the general strategy and the basic management guidelines at the country level.

- d) The group's listed country subholding companies (currently Avangrid, Inc.) have a special framework of strengthened autonomy that covers regulatory matters, related-party transactions and management.

In particular, all transactions between the listed country subholding company and the subsidiaries thereof with the other companies of the group require approval by a committee of the Board of Directors of said country subholding company made up solely of directors not linked to Iberdrola.

The special framework of strengthened autonomy is implemented in the respective contracts signed by the company with each listed country subholding company.

- e) The head of business companies of the group assume decentralised executive responsibilities, enjoy the independence necessary to carry out the day-to-day administration and effective management of each of the businesses and are responsible for the day-to-day control thereof.

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

The corporate configuration and governance principles described above make up the corporate and governance structure of the group. This structure operates jointly with the group's Business Model (see Chapter I.3. Business Model and Strategy), which entails the global integration of the businesses and aims to maximise the operational efficiency of the various business units. It also ensures 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.

Within the group's corporate and governance structure, the Operating Committee is an internal committee of the company, the essential function of which is to provide technical, information and management support to the chairman & CEO, in order to facilitate the development of 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 in the "[Group Structure](#)" section of the corporate website.

Governance structure

Board of Directors

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Iberdrola's Board of Directors is made up of 14 members:

| Board of Directors ⁹ | | | | | |
|---------------------------------|---|----------------|----------------|--------------------------|-------------|
| Position | Director | Status | Nationality | Date of last appointment | Ending date |
| Chairman & CEO | José Ignacio Sánchez Galán | Executive | Spain | 21-05-2001 | 27-03-2019 |
| Vice Chair | Inés Macho Stadler | Other external | Spain | 07-06-2006 | 08-04-2020 |
| Director | Íñigo Víctor de Oriol Ibarra | Other external | Spain | 26-04-2006 | 08-04-2020 |
| Director | Samantha Barber | Independent | United Kingdom | 31-07-2008 | 08-04-2020 |
| Director | María Helena Antolín Raybaud | Independent | Spain - France | 26-03-2010 | 27-03-2019 |
| Director | Ángel Jesús Acebes Paniagua | Independent | Spain | 24-04-2012 | 27-03-2019 |
| Director | Georgina Kessel Martínez | Independent | Mexico | 23-04-2013 | 13-04-2022 |
| Director | Denise Holt | Independent | United Kingdom | 24-06-2014 | 27-03-2019 |
| Director | José W. Fernández | Independent | United States | 17-02-2015 | 27-03-2019 |
| Director | Manuel Moreu Munaiz | Independent | Spain | 17-02-2015 | 27-03-2019 |
| Director | Xabier Sagredo Ormaza | Independent | Spain | 08-04-2016 | 08-04-2020 |
| Director | Juan Manuel González Serna ⁽¹⁾ | Independent | Spain | 31-03-2017 | 31-03-2021 |
| Director | Francisco Martínez Córcoles | Executive | Spain | 31-03-2017 | 31-03-2021 |
| Director | Anthony L. Gardner | Independent | United States | 13-04-2018 | 13-04-2022 |

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

Deputy Secretary (non-member): Santiago Martínez Garrido.

Legal Counsel (non-member): Rafael Mateu de Ros Cerezo.

⁽¹⁾ Juan Manuel González Serna is the lead independent director.

⁹ As at the date of approval of this report by the Board of Directors.

The composition of the Board of Directors is shown below:

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| Composition of the Board of Directors | 2018 | | 2017 | | 2016 | |
|---------------------------------------|-----------|------------|-----------|------------|-----------|------------|
| | no. | % | no. | % | no. | % |
| By gender | | | | | | |
| Men | 9 | 64 | 9 | 64 | 9 | 64 |
| Women | 5 | 36 | 5 | 36 | 5 | 36 |
| By age group | | | | | | |
| Up to 30 years old | 0 | 0 | 0 | 0 | 0 | 0 |
| Between 31 and 50 years old | 2 | 14 | 2 | 14 | 3 | 21 |
| Over 50 years old | 12 | 86 | 12 | 86 | 11 | 79 |
| Number of members | 14 | 100 | 14 | 100 | 14 | 100 |

Executive Committee

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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 assisting the Board of Directors in the on-going supervision of the implementation of the strategy, compliance with objectives and the governance model and submitting proposals to the Board of Directors or making decisions in urgent cases regarding all strategic issues, 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 |
|----------|-----------------------------|----------------|
| Chairman | José Ignacio Sánchez Galán | Executive |
| Member | Inés Macho Stadler | Other External |
| Member | Ángel Jesús Acebes Paniagua | Independent |
| Member | Manuel Moreu Munaiz | Independent |
| Member | Samantha Barber | Independent |

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

Chairman & CEO

The chairman of the Board of Directors is also the chief executive of Iberdrola. At the General Shareholders' Meeting held on 27 March 2015, the shareholders approved the re-election of the chairman & CEO by a large majority. Such proposal was supported by two reports: one prepared by a prestigious independent expert (PricewaterhouseCoopers Asesores de Negocios, S.L.) and the other by the Board of Directors itself. It was also favourably reported upon by the former Appointments and Remuneration Committee.

The initiative for such proposal was led by the lead independent director at the time, 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.

The agenda for the General Shareholders' Meeting to be held on 29 March 2019 once again contains a proposal for the re-election thereof. The procedure followed for said proposal is similar to the one followed in 2015. The rationales for the proposal are set out in reports (PwC and Board of Directors) and are the following:

- Iberdrola, S.A. has performed better than comparable companies and the EURO STOXX UTILITIES index during the 2001-2017 period. In other words, from this viewpoint, there are no reasons justifying a change in the model and leadership.
- The group's model of governance and organisation was approved by the shareholders at a General Meeting and is based on the separation of the duties of strategy and supervision (essentially entrusted to Iberdrola, S.A., to its Board, to its management team and to its organisation) from the duties of management (entrusted to each of the head of business companies heading up the various businesses).
- The By-Laws of Iberdrola, S.A. provide checks-and-balances that avoid the risk of accumulation of powers:
 - a) There is a majority of independent directors, and the By-Laws do not allow the Board of Directors to make or propose appointments that break such majority. This commitment also covers the committees.
 - b) The Board of Directors has a diverse composition of professional profiles, gender, seniority and nationalities. All non-executive directors are required to have a high level of dedication and to be a member of one of the committees.
 - c) The Board of Directors has a lead independent director (*consejero coordinador*) with broad powers.
 - Call to and planning of the agenda for the meeting of the Board of Directors.
 - Coordination of non-executive directors.
 - Management of the re-election, evaluation and succession of the chairman & CEO.
 - Contacts with shareholders.
- At the time of preparation of this report, Iberdrola is in the second year of implementation of its 2018-2022 Strategic Plan, presented in February 2018 to the international financial community, and which has been broadly supported by the market. The company's evolution to date reflects an extremely high level of compliance with the defined objectives.

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The company also has a Business CEO (*consejero director-general de negocios*), who has been specially appointed by the Board of Directors, with responsibility for all the businesses of the group in order to support the chairman & CEO (together with the management team) in the function of strategic organisation and coordination of the group. In addition, the company has a structure of executives and employees authorised to implement its strategy and basic management guidelines, with powers provided under two operating principles: (i) the principle of joint action, which governs the exercise of the powers that are of a decision-making or organisational nature; and (ii) the principle of solidarity, which governs the exercise of powers of mere representation.

Furthermore, the group has *Internal Rules on Powers of Attorney* which generally define the system for representational powers of the group, which is governed by the principle of several representatives, pursuant to which each company will appoint its representatives from among its own employees rather than from the employees of another company of the group, and by the establishment of limitations on time, quantity and the substitution of powers, among others.

Consultative Committees

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Permanent internal informational and consultative bodies within the Board of Directors, without executive powers, with informational, advisory and proposal-making powers within their scope of activity.

- **Audit and Risk Supervision Committee.** 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](#).

Audit and Risk Supervision Committee

| Position | Director | Status |
|----------|--------------------------|-------------|
| Chair | Georgina Kessel Martínez | Independent |
| Member | Denise Holt | Independent |
| Member | José W. Fernández | Independent |
| Member | Xabier Sagredo Ormaza | Independent |

Secretary (non-member): Rafael Sebastián Quetglas.

- **Appointments Committee.** Performs duties relating to the selection, appointment, re-election and cessation in office of the company's directors and senior officers upon the terms established in its [Regulations](#).

Appointments Committee

| Position | Director | Status |
|----------|------------------------------|----------------|
| Chair | María Helena Antolín Raybaud | Independent |
| Member | Iñigo Víctor de Oriol Ibarra | Other external |
| Member | Ángel Jesús Acebes Paniagua | Independent |

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

- **Remuneration Committee.** Performs duties relating to the remuneration of the company's directors and senior officers upon the terms established in its [Regulations](#).

| Remuneration Committee | | |
|------------------------|----------------------------|----------------|
| Position | Director | Status |
| Chair | Juan Manuel González Serna | Independent |
| Member | Inés Macho Stadler | Other external |
| Member | Manuel Moreu Munaiz | Independent |

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

- **Sustainable Development Committee.** Performs duties relating to the revision and update of the Corporate Governance System and supervision of the sustainable development policies: human resources, equal opportunities, occupational health and safety, stakeholder relations, respect for human rights, sustainability, etc., upon the terms established in its [Regulations](#).

| Sustainable Development Committee | | |
|-----------------------------------|------------------------------|----------------|
| Position | Director | Status |
| Chair | Samantha Barber | Independent |
| Member | Iñigo Víctor de Oriol Ibarra | Other external |
| Member | Anthony L. Gardner | Independent |

Secretary (non-member): Fernando Bautista Sagüés.

For more detailed information regarding the composition, operation and activities carried out by the governance bodies of the company, see the [Activities Report of the Board of Directors and of the Committees thereof](#) for financial year 2018.

Beneficial ownership

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At 31 December 2018, the company's share capital totalled 4,798,221,750 euros, represented by 6,397,629,000 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 institutional investors 66.27 %
- Domestic institutional investors 10.25 %
- Retail shareholders 23.48 %

No shareholder holds a controlling interest in the equity structure of the company. Below is a table showing those shareholders who hold a significant interest¹⁰ in the share capital of, or voting rights in, Iberdrola as of 31 December 2016, 2017 and 2018.

| Significant shareholders and percentage of direct and indirect voting rights (%) | 31/12/2018 | 31/12/2017 | 31/12/2016 |
|--|------------|------------|------------|
| Qatar Investment Authority | 8.65 | 8.57 | 8.51 |
| Norges Bank | 3.33 | 3.21 | 3.20 |
| Capital Research and Management Company | N/A | 3.10 | N/A |
| BlackRock, Inc. | 5.13 | 3.03 | 3.01 |
| Kutxabank, S.A. | N/A | N/A | 3.00 |

As at the date of approval of this report, the share capital of Iberdrola, S.A. totals 4,890,342,750 euros and is made up of 6,520,457,000 shares, each having a nominal value of 0.75 euro, which are fully subscribed and paid up.

¹⁰ Defined according to Royal Decree 1362/2007 and Circular 2/2007, of 19 December, of the National Securities Market Commission.

I.2. Iberdrola's Contribution to the Sustainable Development Goals

- Introduction
- Commitment to the SDGs
- Our main focus: SDGs 7 and 13
- Main objectives and actions in 2018 that contribute to the SDGs

Introduction

In September 2015, the Member States of the United Nations adopted 17 Sustainable Development Goals (hereinafter, SDGs) as part of the 2030 Agenda for Sustainable Development. These goals are designed to, among other things, end all forms of poverty, fight inequalities and injustice and tackle climate change.

The success of the Agenda will be the result of the collaborative efforts of all of society, with companies being included in this process for the first time in their role as promoters of innovation and engines for economic development and employment. Strong and visionary business leadership is essential for achieving the necessary transformation that the SDGs require.

Iberdrola recognises that the SDGs offer a new vision that allows us to translate global needs and desires into solutions. They propose a new viable model for long-term growth and will contribute to companies developing more solid strategies. The integration of the SDGs into business plans strengthens the identification and management of material risks and opportunities and costs, the creation of and access to new markets, and innovation in the business models - making them more efficient and thus aligning the strategy and expectations of the company with its employees, customers, suppliers and investors and the communities in which it operates.

SUSTAINABLE DEVELOPMENT GOALS



References to SDGs in this Report

This report is a compendium of the annual performance of the company in the area of sustainable development, of its strategy in this regard, and of the principal activities and projects undertaken.

To facilitate an analysis from the viewpoint of its contribution to the 2030 Agenda, it is important to establish a relationship between the activities that Iberdrola describes throughout this report and the various SDGs that are furthered by the activities performed. Therefore, the SDGs to which the company contributes are identified in each section, based on the mapping made by the tool *SDG Compass. The guide for business action on the SDGs*, as well as the recent document published by GRI and the UN Global Compact “*GRI-UNGC Business Reporting on SDGs. An Analysis of Goals and Targets*”, but only including those SDGs to which the company believes it makes a significant contribution.

Annex 2 provides more detailed information regarding Iberdrola’s contribution to the SDGs and related goals, as well as the related GRI disclosures and the pages on which the corresponding performance information can be found.

Commitment to the SDGs

Based on ongoing dialogue with its Stakeholders, and aware of the clear economic, social and environmental impact of all of its activities, Iberdrola frames all of its business activities within a commitment to a Purpose and certain values, and within the context of respect for Human Rights. It thus promotes initiatives that contribute to achieving a more just, egalitarian and healthy society, and particularly the achievement of the [SDGs](#), especially those relating to universal access to electricity (goal 7) and the fight against climate change (goal 13), but also others like the promotion of innovation, the development of education, the protection of biodiversity, gender equality, and particularly the empowerment of women, as well as the protection of disadvantaged groups.

Therefore, Iberdrola has linked the SDGs to its business strategy since 2015, and in 2018 revised its Corporate Governance System to include the company's contribution to the SDGs as part of the company's corporate philosophy.

The SDGs thus inspire or are included as a fundamental element in the following areas:

- By-Laws
- *Purpose and Values of the Iberdrola group* and *Code of Ethics*
- Corporate governance and regulatory compliance policies
- Sustainable development policies
- Governance rules of corporate decision-making bodies and of other functions and internal committees

Ultimately, it is an attempt to cause all Stakeholders to participate in the social dividend generated by its activities, or shared value, which is the sum of all the economic, social and environmental impacts that a company generates through its activity, within the environment in which it does business.

It should be noted that, among the various corporate policies that have been approved, those relating to [sustainable development](#) are intended to ensure the alignment of all conduct of the group with the bylaw-mandated commitment of the company to the social dividend and to the SDGs, as provided in the [General Sustainable Development Policy](#).

This policy sets out the general principles and provides the basis for governing the group's sustainable development strategy. The goal is to ensure that all its corporate activities and businesses are carried out while fostering the sustainable creation of value for society, citizens, customers, shareholders and the communities in which the group is present, equitably compensating all groups that contribute to the success of its business enterprise, with a long-term vision that achieves a better future without compromising present results, favouring the achievement of the SDGs and rejecting actions that contravene or hinder them.

The company's commitment to contribute to the SDGs is supervised by the governance bodies. Thus, the [Sustainable Development Committee](#) of the Board (the composition and duties of which are described in the "Corporate Governance" section of Chapter II.7) is vested with the power to, among other things, "*Monitor the group's contribution to the achievement of the SDGs*".

The SDGs are cross-sectional within the group. For this reason, Iberdrola has an SDG Advisory Committee, a multidisciplinary team that meets on a quarterly basis in order to review the actions taken by Iberdrola and analyse the alignment thereof with the SDGs, in addition to proposing new challenges and encouraging actions that help to achieve the fixed goals. The SDG Advisory Committee held 4 meetings during 2018.

Activities to raise awareness of the SDGs

As a company committed to the achievement of the SDGs, Iberdrola also wants to disseminate and raise the awareness of its employees regarding the importance thereof, and the capacity of the actions of each of them as a company and as individuals. The activities include:

- Making available to all employees a training course on the SDGs, prepared in collaboration with Unesco. This course will serve as the basis for a new online orientation course made available to all new hires.
- Preparation of a campaign called “The SDGs and Me”, which defines each of these Goals, Iberdrola’s position and the activities that each person can perform in their daily life to improve them.
- At the internal communication level, the various notices included in the intranet have a graphical link to the SDGs.
- Various social campaigns defining their link to the SDGs have been launched.
- All volunteering campaigns, as well as the social contributions made by the group and its foundations, have been linked to the SDGs they seek to improve.

Our main focus: SDGs 7 and 13

Iberdrola focuses its efforts on the SDGs where its contribution is most significant: the supply of accessible and non-polluting energy (goal 7) and climate action (goal 13). This commitment forms part of its governance model and of the company’s management, and is formalised in goals that are tied to the remuneration of the management team: the shareholders at the Shareholders’ Meeting 2017 approved the linkage of the long-term incentive plan to contribution to achievement of these two Goals.

The following tables show the disclosures in this report where it can be seen how the company contributes to the achievement of these two goals and their related aspirations. The mapping comes from *SDG Compass. The guide for business action on the SDGs*, available at www.sdgcompass.org, developed by the Global Reporting Initiative (GRI), the United Nations Global Compact and the World Business Council for Sustainability Development.

|  | Goal 7: Affordable and sustainable energy | | |
|---|--|---|------|
| | Ensure access to affordable, reliable, sustainable and modern energy for all | | |
| <p>Our goal for the “Electricity for All” programme: bring electricity to 16,000,000 million people by 2030 who today lack access to this energy source.</p> <p>The <i>Electricity for All</i> programme 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. It is intended to ensure access to electricity in emerging and developing countries.</p> <p>Since the launch of the <i>Electricity for All</i> programme in January 2014, we have contributed to 5.4 million people benefiting from access to electricity through projects carried out in Latin America and Africa, meeting our 2020 commitment two years in advance. We have also participated in the 2018 SE4ALL (Sustainable Energy for All) forum held in Lisbon, sharing our targets and commitments at this programme.</p> <p>Commitment to renewables. Iberdrola, a world leader in renewable energy, commits to the decarbonisation of the economy, which means electrification and the encouragement of renewable technologies, increasing renewable installed capacity by 9 % between 2018 and 2019, with the start-up of an additional 2,600 MW.</p> | | | |
| Goal of the 2030 Agenda (SDGs) | GRI Indicator | Description | Pag. |
| 7.1.- By the year 2030, guarantee universal access to affordable, reliable and modern energy services. | Own indicator | Number of beneficiaries of the <i>Electricity for All</i> programme | 185 |
| | Shift indicator C070101 from SDG EU26 | Proportion of population of distribution zones with access to electricity | 184 |
| | EU28 | Power outage frequency | 168 |
| | EU29 | Average power outage duration | 169 |
| 7.2.- By 2030, increase substantially the share of renewable energy in the global energy mix. | Own indicator | Installed capacity from renewable sources (MW or %) | 20 |
| | Own indicator | Power produced from renewable sources (MWh or %) | 20 |
| | 302-1 | Energy consumption within the organization | 127 |
| 7.3.- By 2030, double the global rate of improvement in energy efficiency. | 302-4 | Reduction of energy consumption | 129 |
| | 302-5 | Reductions in energy requirements of products and services | 131 |
| | EU30 | Average plant availability | 320 |
| <p>7.a.- By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.</p> <p>7.b.- By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States and landlocked developing countries, in accordance with their respective programmes of support.</p> | Own indicator | Amount allocated to R&D+i (€M) | 177 |

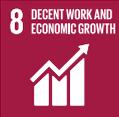
| | | | |
|---|---|--|-------------|
|  | Goal 13: Climate action | | |
| | Take urgent action to combat climate change and its impacts | | |
| <p>The group recognizes the seriousness of the threat that global warming entails, which must be faced in a coordinated manner with governments, multilateral agencies, the private sector and society. The company thus undertakes to assume a position of leadership in the fight against climate change and to assume the following principles of conduct: i) prevent pollution by reducing the intensity of greenhouse gas emissions, ii) promote electrification, efficiency and smart grids, iii) support international negotiations and the participation of the private sector, iv) advocate for an emissions market that generates a strong and sustainable price signal, and v) support a tax system that includes the “polluting party pays” principle.</p> <p>Iberdrola has set itself a goal to reduce the intensity of its CO₂ emissions to 50 % below those of 2007 by 2030, and to be carbon-neutral by 2050.</p> <p>It has committed to maintaining its position as one of the leading European companies with the lowest CO₂ emissions per kWh produced, and to achieve this by focusing its efforts on reducing the intensity of greenhouse gases, promoting renewable technology and increasing efficiency.</p> <p>Policy, memberships, awareness-raising and reporting</p> <p>The company has a Policy against Climate Change, in which there is a commitment to supporting the necessary international conventions, encourage the development of technology, and promote efficient energy use and responsible consumption. It has also endorsed the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), created by the Financial Stability Board (FSB), the objective of which is transparency regarding risks associated with climate change. Iberdrola has a section of its website called Against Climate Change to show the actions taken in this area. In 2016 Iberdrola included a <i>Plan for Raising Social Awareness on Climate Change</i> as an additional focal point for its climate change actions, with initiatives aimed at different audiences. And an <i>Introduction to climate change</i> course has been launched for all employees as a virtual training initiative.</p> | | | |
| Goal of the 2030 Agenda (SDGs) | GRI Indicator | Description | Pag. |
| 13.a Implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change 13.1.- Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries. | 302-1 | Proportion of energy consumption derived from renewable energy. | 128 |
| | 302-4 | Reduction of energy consumption (efficiency). | 129 |
| | 302-5 | Energy savings of green products and services. | 132 |
| | 305-1 | Direct GHG emissions. Scope 1 (per GHG Protocol) | 137 |
| | 305-2 | Indirect GHG emissions. Scope 2 (per GHG Protocol) | 138 |
| | 305-3 | Other indirect GHG emissions. Scope 3 (per GHG Protocol) | 139 |
| | EU30 | Average plant availability | 320 |
| | Own indicator | Installed capacity from renewable sources (MW or %) | 300 |
| | Own indicator | Power produced from renewable sources (MWh or %) | 302 |
| | 201-2 | Financial implications and other risks and opportunities for the organisation’s activities due to climate change | 145 |
| 13.3.- Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning. | Own indicator | Awareness-raising activities regarding climate change and renewable energy | 134 |

Main objectives and actions in 2018 that contribute to the SDGs

The following table lists some of the more significant goals relating to the SDGs as well as Iberdrola's main activities during 2018 and indicators measuring the Iberdrola group's contribution:

| SDGs and related targets | Iberdrola's main actions and achievements 2018 |
|--|--|
|  <p>1.4 Ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance</p> <p>1.5 Reduce exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters</p> | <p>Actions and achievements:</p> <ul style="list-style-type: none"> • Procedures to protect customers in situations of vulnerability: covers 100 % of vulnerable customers in Spain. • Procedures for protecting vulnerable customers in the United Kingdom with the <i>Warm Home Discount</i> programme. • Work with <i>Operation Fuel</i> in Connecticut (United States) to ensure that 1,200 people in vulnerable situations have access to energy throughout the year. • Contribution of more than 11 million euros at the group level to initiatives intended to improve the quality of life of vulnerable groups. |
|  <p>2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round</p> | <p>Goal: Voluntary contributions by the group's employees of consumer staples, thus contributing to alleviating the situation of social exclusion and poverty of many people.</p> <p>Actions and achievements:</p> <ul style="list-style-type: none"> • Iberdrola has gathered more than 6,000 kilos of food at its work centres thanks to '<i>Operation Kilo</i>', a programme launched in 2012. The more than 6 tons of food contributed by the employees have been distributed to various families through social organisations in Portugal, Spain and Mexico. • Encouragement of volunteering activities to distribute food to families in situations of vulnerability, soup-kitchens, etc. |
|  <p>3.4 Reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being</p> <p>3.6 Halve the number of global deaths and injuries from road traffic accidents</p> <p>3.9 Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination</p> | <p>Goal: Reduce the accident rate (accidents involving own staff) by 10 % over the average of the last 5 years.</p> <p>Actions and achievements:</p> <ul style="list-style-type: none"> • Improve the Global Occupational Safety and Health System, which is aligned with the <i>Occupational Safety and Health Policy</i> and the strictest international standards. • Health and safety measures for contractors through training programmes and in-sourcing of work and personnel. • 0-accident plan in Brazil in order to reduce the accident rate among employees. |
|  <p>4.4 Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship</p> <p>4.7 Ensure that all learners acquire the knowledge and skills needed to promote sustainable development</p> | <p>Goal: Exceed ratio of training hours received per employee over that of comparable companies.</p> <p>Actions and achievements:</p> <ul style="list-style-type: none"> • Develop continuous training plans for employees, monitoring compliance therewith. • 45 hours of training per employee in 2018 (42 hours in 2017, 4.4 times greater than the annual training hours of companies in the energy sector of the country. 2018 data not yet published to establish the comparison.). • 2.2 million euros of investment in the scholarship and research grant programme for the 2018-2019 academic year. • <i>Iberdrola U: Universities</i> programme. The group has contributed to the training of almost 4,000 university students in just the past five years. |

| SDGs and related targets | Iberdrola's main actions and achievements 2018 |
|---|---|
| <div data-bbox="188 253 312 376">  <p>5 GENDER EQUALITY</p> </div> <p>5.1 End all forms of discrimination against all women and girls everywhere</p> <p>5.4 Promote shared responsibility within the household and the family</p> <p>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</p> <p>5.c. Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels</p> | <p>Goal: Increase the number of women in management positions.</p> <p>Actions and achievements:</p> <ul style="list-style-type: none"> • Only continental European electric utility included in the Bloomberg Gender-Equality Index (GEI). • The Iberdrola group has an <i>Equal Opportunity and Reconciliation Policy</i> that includes measures to solidify the reconciliation of work and personal life: ScottishPower offers training with up to 6 months of leave to improve opportunities. Avangrid offers flex time with tele-work. Neoenergia has 6 months of maternity leave and legal, financial and psychological support for employees. Iberdrola Mexico has flexible work hours and improved vacation days. Spain was the first Ibex-35 company to apply the intensive workday, in 2008, and has more than 70 measures to facilitate reconciliation. • 36 % of Iberdrola's Board of Directors are women, double that of the other Ibex-35 companies. • Support for female sports. Women's Universe (<i>Universo Mujer</i>) programme in partnership with the Higher Council for Sport (<i>Consejo Superior de Deportes</i>), promoting female sports within 16 Spanish federations. |
| <div data-bbox="188 831 312 954">  <p>6 CLEAN WATER AND SANITATION</p> </div> <p>6.3 Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally</p> <p>6.4 Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity</p> <p>6.5 Implement integrated water resources management at all levels</p> <p>6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes</p> | <p>Goal: In its position as one of the utilities with the best water productivity (water utilised/revenue), Iberdrola commits to maintaining this indicator 50 % below the European average for the sector in the coming 5 years.</p> <p>Actions and achievements:</p> <ul style="list-style-type: none"> • Join the United Nations' CEO Water Mandate to encourage sustainable practices in the use of water. • It has been part of CDP Water since its first edition. • Improve the management of the hydraulic sub-footprint and of the environmental management systems. |
| <div data-bbox="188 1299 312 1422">  <p>7 AFFORDABLE AND CLEAN ENERGY</p> </div> <p>7.1 Ensure universal access to affordable, reliable and modern energy services</p> <p>7.2 Increase substantially the share of renewable energy in the global energy mix</p> <p>7.3 Double the global rate of improvement in energy efficiency</p> <p>7.a Enhance international cooperation to facilitate access to clean energy research and technology and promote investment in energy infrastructure and clean energy technology</p> <p>7.b Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries</p> | <p>Goal: By 2030, achieve access to energy for 16,000,000 people who previously lacked it, within the framework of the <i>Electricity for All</i> Programme.</p> <p>Goal: increase renewable installed capacity by 9 % during 2018 and 2019, with the start-up of 2,600 MW.</p> <p>Actions and achievements:</p> <ul style="list-style-type: none"> • A leader in renewable energy: 38,247 GWh of wind (onshore and offshore) output, 23,086 GWh of hydroelectric and 421 GWh of solar and others in 2018. • Offer of 100 % renewable energy: "Custom Plans". • ScottishPower, only 100 % renewable electric company in the United Kingdom. • Energy efficiency: 59 million tons of CO₂ emissions avoided during the last 3 years. • Fernando de Noronha Zero Carbon Project in Brazil to develop a sustainable energy model. |

| SDGs and related targets | Iberdrola's main actions and achievements 2018 |
|---|--|
|  <p>8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation</p> <p>8.4 Improve progressively global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation</p> <p>8.5 Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</p> <p>8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</p> | <p>Goal: Maximise issues in the green finance market.</p> <p>Actions and achievements:</p> <ul style="list-style-type: none"> • 34,078 direct jobs. • 425,000 direct, indirect and induced job positions throughout the world¹¹. • Almost €8,000 million in tax contributions in 2018. • €32,300 million in impact on the GDP of the countries in which the group does business. • €7,753 million procurement volume in 2018. • Largest corporate issuer of green bonds in the world: 13 issues with a value of almost 9,000 million euros, which will be invested mainly in renewable projects. • Digital transformation applied to the businesses: big data, virtual reality and artificial intelligence. |
|  <p>9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries</p> <p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all</p> <p>9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes</p> <p>9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including by encouraging innovation and substantially increasing the number of research and development workers</p> | <p>Goal: Development of the Innovation and Digitalization Programme.</p> <p>Actions and achievements:</p> <ul style="list-style-type: none"> • 267 million euros in R&D+i in 2018 (most innovative Spanish utility and third most innovative in Europe). • 75 innovation projects between 2018 and 2019. • Digitalization to 2020 Plan: more than 4,800 million euros of investment. • World leaders in smart grids. The STAR project culminated in Spain in 2018 and the SMART UK project continued in the United Kingdom. • Development of the smart grid projects <i>Smart City</i> (Atibaia) in Brazil and <i>Smart Community</i> (Ithaca) in the United States. • Development of new products for customers based on Data Analytics (Energy Wallet, Custom Plans) and development of new apps. • Develop projects to improve management of the grids in distributed generation scenarios, like the <i>Alois</i> project in Spain and <i>Fusion</i> project in the United Kingdom. |

11 PwC study "Economic, social and environmental impact of Iberdrola worldwide" (based on 2017 data).

| SDGs and related targets | Iberdrola's main actions and achievements 2018 |
|---|--|
|  <p>10.2 Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p> <p>10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard</p> | <p>Goal: Foster diversity and the social inclusion of vulnerable groups through the corporate volunteer programme and the social welfare projects of the foundations.</p> <p>Actions and achievements:</p> <ul style="list-style-type: none"> • More than 7,000 proposed volunteer activities at the global level were offered to employees in 2018. • Ensure equality of opportunities within the workforce through talent management. • Human Rights Management Model at the global level and training for suppliers. • II Edition of the Iberdrola Awards for solidarity, given to entities that fight for the equality and integration of the most vulnerable people. • Iberdrola's Social Programme, focused on social support, psychological treatment, lodging for women, labour integration and equal opportunities, among others. More than 160,000 beneficiaries and approximately 100 social entities during the 2018-19 period in Spain. |
|  <p>11.2 Provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons</p> <p>11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage</p> <p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</p> | <p>Goal: Installation of 25,000 recharging stations for electric vehicles by 2021 through the Sustainable Mobility Plan, with initiatives aimed at employees, companies, customers and suppliers.</p> <p>Actions and achievements:</p> <ul style="list-style-type: none"> • Incentives to buy electric vehicles and availability to employees of electric vehicles from the corporate fleet. • Electric vehicle fleet available to employees. • Join the <i>x Aire Limpio</i> platform, in which public, private and tertiary sector organisations coordinate the viewpoints needed to design air quality plans in cities, in order for the sustainability of transport, buildings and industry, together with efficiency in waste management, result in a cleaner atmosphere. • Illumination Programme of the Foundations, the goal of which is promote the recovery of artistic heritage and improve the interior and/or exterior illumination of unique buildings through collaborations with entities and institutions. |
|  <p>12.2 Achieve the sustainable management and efficient use of natural resources</p> <p>12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse</p> <p>12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</p> <p>12.8 Ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature</p> | <p>Goal: Improve the <i>CSR Scoring</i> model for suppliers and increase the percentage awarded to them with analysis based on social responsibility.</p> <p>Actions and achievements:</p> <ul style="list-style-type: none"> • Energy efficiency plan at the corporate buildings. • 90 % of energy production is carried out using local sources of energy available in the country where the electricity is generated. • 88 % of procurement from local suppliers. • First Ibx-35 company to certify its General Shareholders' Meeting as a sustainable event in 2016, in accordance with international ISO 20121 standard. • Publication of Sustainability Report since 2004 and specific sustainability website. |

| SDGs and related targets | Iberdrola's main actions and achievements 2018 |
|---|--|
|  <p>13.a Implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change</p> <p>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p> <p>13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning</p> | <p>Goal: achieve a 50 % reduction in the intensity of CO₂ emissions by 2030, as compared with the emissions of 2007; and be carbon-neutral by 2050.</p> <p>Actions and achievements:</p> <ul style="list-style-type: none"> • Development of a unique model preparing scenarios of mitigation and adaptation to assess the environmental impacts of climate change on the company over the long term, conforming to the requirements of the Task Force on Climate-related Financial Disclosures (TCFD). • CO₂ emissions 70 % less than the average for the European electricity sector (continental Europe, 2015). • Request to close the last two coal plants. • Participation in the Katowice Climate Change Conference (COP 24), the events associated with the United Nations General Assembly and the various phases of the Tanaloa Dialogue. • <i>Plan for Raising Social Awareness on Climate Change</i>, with initiatives aimed at different audiences. |
|  <p>14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans</p> | <p>Goal: Preserve marine ecosystems through innovative measures in the construction and operation of offshore wind farms.</p> <p>Actions and achievements:</p> <ul style="list-style-type: none"> • Installation of noise mitigation systems for mammals in the construction and relocation phase and/or respect biotopes for the preservation of marine life. • Regular studies of environmental impact on the area to monitor and conserve the habitat. • Dolphin Watch Aberdeen: project to protect dolphins in Sussex (United Kingdom) focused on the protection of fauna and the conservation of marine habitats with disclosure and awareness-raising activities. • Insulation of subsea cables to avoid increasing temperature in the Baltic sea. |
|  <p>15.1 Ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands</p> <p>15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and protect and prevent the extinction of threatened species</p> | <p>Goal: adjustment of 25,000 supports at distribution lines to avoid the electrocution of birds over the next two years (Flapping Wings <i>Alateo</i> project).</p> <p>Actions and achievements:</p> <ul style="list-style-type: none"> • Biodiversity protection programmes. • Member of the <i>Biodiversity Pact</i>, sponsored by the Biodiversity Foundation. • AENOR Corporate Environmental Footprint certificate. |

| SDGs and related targets | Iberdrola's main actions and achievements 2018 |
|---|--|
| <div data-bbox="188 253 311 376">  <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> </div> <p data-bbox="339 253 799 304">16.5 Substantially reduce corruption and bribery in all their forms</p> | <p data-bbox="831 253 1442 331">Goal: Renewal of ISO 37001 certifications regarding the anti-bribery management system and UNE 19601 certification on the criminal compliance management system.</p> <p data-bbox="831 338 1098 360">Actions and achievements:</p> <ul data-bbox="831 367 1442 969" style="list-style-type: none"> <li data-bbox="831 367 1442 445">• Inclusion for the fifth consecutive year on the list of the World's Most Ethical Companies of the Ethisphere Institute (United States). <li data-bbox="831 452 1442 555">• Iberdrola's Board of Directors has approved the group's <i>Code of Ethics</i>, the <i>Crime Prevention Policy</i> and the <i>Anti-Corruption and Anti-Fraud Policy</i>, which are regularly reviewed and updated. <li data-bbox="831 562 1442 696">• Compliance System that includes rules to mitigate the risk arising from relations with third parties. Includes the <i>Protocol for Management of the Risk of Third-Party Fraud and Corruption</i>, the <i>Protocol for Corporate Transactions</i> and the <i>Protocol for Social Contributions, Donations and Sponsorships</i>. <li data-bbox="831 703 1442 754">• Award from <i>Expansión</i> to the company with best compliance practices 2018-2019. <li data-bbox="831 761 1442 840">• Receipt of "<i>Compliance Leader Verification</i>" certification provided by the Ethisphere Institute as evidence of the effectiveness of the Compliance System. <li data-bbox="831 846 1442 925">• The group has anonymous ethics inboxes to allow for the reporting of improper actions or acts contrary to law or the <i>Code of Ethics</i>. <li data-bbox="831 931 1442 969">• Sponsorship of the Iberdrola Chair on Economic and Business Ethics of the Universidad Pontificia Comillas (ICADE). |
| <div data-bbox="188 996 311 1120">  <p>17 PARTNERSHIPS FOR THE GOALS</p> </div> <p data-bbox="339 996 778 1106">17.17 Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships</p> <p data-bbox="339 1113 751 1191">17.19 Build on existing initiatives to develop measurements of progress on sustainable development</p> | <p data-bbox="831 996 1390 1052">Goal: Promote alliances with institutions that contribute to action against climate change.</p> <p data-bbox="831 1059 1098 1081">Actions and achievements:</p> <ul data-bbox="831 1088 1442 1415" style="list-style-type: none"> <li data-bbox="831 1088 1442 1140">• Collaboration with the <i>Spanish Office of Climate Change</i> and the <i>Spanish Green Growth Group</i>. <li data-bbox="831 1146 1442 1225">• Alliances with the academic world: <i>Chair for the Sustainable Development Goals</i> and <i>Chair on Climate Change</i> (Polytechnic University of Madrid). <li data-bbox="831 1232 1442 1310">• Support for the youth initiative of the Spanish Network for Sustainable Development of the UN's Sustainable Development Solutions Network – SDSN Youth. <li data-bbox="831 1317 1442 1346">• Alliance with <i>High Level Political Forum 2018</i> in New York. <li data-bbox="831 1352 1442 1382">• Shire Alliance to supply electric power and improve facilities at refugee camps. 2nd phase approved with the help of the EU. <li data-bbox="831 1388 1442 1415">• Iberoamerican conference on the SDGs in Salamanca. |



Iberoamerican Conference on Sustainable Development Goals in Salamanca

From 27 to 29 June 2018, the University of Salamanca, the Polytechnic University of Madrid and Iberdrola organised the Iberoamerican Conference on Sustainable Development Goals, among the acts commemorating the VIII Centenary of the University of Salamanca, a meeting that turned this city into the Iberoamerican capital of the SDGs during these days.

The Conference was conceived with the goal of achieving a collective commitment driving the transformation necessary for achieving the Sustainable Development Goals of the 2030 Agenda of the United Nations in the Iberoamerican region.

Given that such profound and complex transformations can only be approached collectively, this commitment took the form of a large multiactor platform, with the participation of public and private institutions, organisations from the tertiary sector, universities and citizenry, the true catalysts for change.

The Conference, with the participation of more than 50 leading international speakers and more than 600 attendees, was structured around four major themes:

- Education for transformation
- Environment and energy
- Innovation for development
- Multiactor partnerships

And more than 50 leading international speakers participated, with more than 600 attendees.

Iberdrola collaborated both in the organisation of the conference and on different presentations, within its commitment to disseminate the SDGs to society, and support for Goal 17. Iberdrola's Chairman participated in the inaugural table, where he emphasised the company's interest in working with a conference that serves to *promote the sustainable development goals in Iberoamerica*, a task that must be handled "*among all players*", including government authorities, companies and civil society as a whole. Within the framework of the Conference, Iberdrola launched its new goal for the Electricity for All Programme, with which it wants to reach 16 million beneficiaries by 2030.

I.3. Business Model and Strategy

- Business model
- Corporate Governance System
- *Code of Ethics*
- Policies and commitments
- Sustainable development policies
- Responsibilities
- Responsibility in the sustainable development strategy
- Goals, resources and results
- Key impacts on sustainability
- Risks and opportunities Comprehensive risk system
- Climate change risk management Iberdrola and the TCFD

Business model

102-15

Iberdrola focuses its activities on:

- Production of electricity from renewable and conventional sources.
- Transmission and distribution of electricity and gas.
- Purchase/sale of electricity and gas on wholesale markets.
- Supply of electricity, gas and related energy services.
- Other activities mainly linked to the energy sector.

As explained in Chapter I.1, Iberdrola carries out its activities mainly in the Atlantic area: Spain, the United Kingdom, the United States, Brazil and Mexico.

The business model developed by the group is based on Iberdrola's purpose (see "Purpose and Values" section of Chapter I.1) through a long-term sustainable industrial enterprise. Under this consideration, and taking into account the long-term consensus energy scenarios, Iberdrola is pursuing a strategy with the following main characteristics:

- The organic growth of the company is focused on major investments in the countries referred to above, plus continental Europe. The international diversification in terms of contribution to results will continue to grow in the coming years.
- The investment will preferably focus on the networks and renewables businesses, which, in addition to being regulated businesses or long-term contracts, contribute decisively to the fight against climate change.
- The strategic pillars defined by the company are profitable growth, operational excellence, customer-focused operations, the optimisation of capital, and innovation.
- The company has published its commitment to decarbonisation, setting stringent objectives: to reduce the intensity of its CO₂ emissions to 50 % below those of 2007 by 2030, and to be carbon-neutral by 2050. These goals have been recognised as being based on science in accordance with the Science Based Targets initiative (SBTi).
- One characteristic of Iberdrola is its focus on innovation and on the rapid adoption of available technology.
- Financial stability is considered key for balanced growth. The company seeks to maintain high levels of solvency and liquidity, which ensure the normal development of operations, good access to the capital markets, and a sustainable dividend policy.
- The commitment to social responsibility and sustainability is reflected by the inclusion in the company's strategy of the concept of the "social dividend", defined as the sustainable creation of value for its Stakeholders by engaging in all of its activities.

Corporate Governance System

The company's Corporate [Governance System](#) is made up of the [By-Laws](#), the [Purpose and Values of the Iberdrola group](#), the [corporate policies](#), the [governance rules of the corporate decision-making bodies and internal committees](#) and [Compliance](#).

A company committed to ethical principles, good governance and transparency

Leadership in corporate governance and transparency is one of the hallmarks of Iberdrola's identity: The Board of Directors therefore regularly reviews the Corporate Governance System, keeping it updated and including therein the good governance recommendations and best practices generally accepted in international markets.

In October 2018 there was a revision of the Corporate Governance System to include, among other changes, the company's contribution to the SDGs as part of the company's corporate philosophy. In February 2019 there was a new revision to include the Corporate Purpose of the Iberdrola group and its new values. For more information about the [Corporate Purpose and Values of the Iberdrola group](#), see the "Purpose and Values" section of Chapter I.1.

The commitments of Iberdrola defined in this System materialise daily in all business activities of the group, as well as in its strategy to maximise the social dividend, sustainable development and respect for human rights, encouraging initiatives that contribute to achieving a more healthy, equal and just society, and particularly to the achievement of the SDGs, especially the goals relating to universal access to electricity and the fight against climate change.



Ultimately, it is to seek Shared Value and to maximise Iberdrola's contribution to society through an energy model that is healthier, more accessible and based on electricity, and in the definition and construction of which all involved players should collaborate.

Along these lines, one should note the inclusion of Article 7. Social Dividend in the company's By-Laws: *"The Company conceives of the social dividend as the sustainable creation of value for all Stakeholders affected by the activities of the group in carrying out its businesses, the advancement of business communities which the Company participates in and leads, both from the economic viewpoint and from the perspective of business ethics, the promotion of equality and justice, the encouragement of innovation and protection of the environment, as well as through the generation of quality employment, its strategy of social responsibility, and its effort in the fight against climate change"*.

Iberdrola is conscious of the importance of the social dividend for all of the communities in which the group is present. Maximisation of the social dividend and the company's commitment to the sustainable creation of value are key values that the Board of Directors takes into account in order to define the strategy of the group.

Code of Ethics

Contribution to SDGs of the performance described by the indicators of this section
(according to SDG Compass www.sdgcompass.org)



102-16

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The company's *Code of Ethics* establishes a set of principles and guidelines for conduct (applicable to all directors, including natural persons appointed by corporate directors to represent them in the performance of their duties, to professionals and to suppliers of the companies of the group, regardless of their rank, their geographical location or functional reporting, or the group company to which they provide their services), intended to ensure the ethical and responsible behaviour of all directors, professionals and suppliers of the group.

The *Code of Ethics*, which forms part of the Corporate Governance System, was approved by the Board of Directors in 2002 and last amended in October 2018. This last revision includes the unification of the three ethical codes existing until that time: *Directors' Code of Ethics*, *Professionals' Code of Ethics* and *Suppliers' Code of Ethics*, into a single code applicable to all directors, professionals and suppliers of the group (excluding from its scope country subholding companies that are listed or not wholly owned by the group and that have their own code of ethics, as well as the subsidiaries thereof).

The body charged with ensuring that the *Code of Ethics* is applied is the Compliance Unit (hereinafter, the "Unit"), a collective, internal and permanent body connected to the Sustainable Development Committee of the Board and with powers in the regulatory compliance area. The Unit's main duties include ensuring the application of the *Code of Ethics* and the dissemination of a preventative culture based on "zero-tolerance" towards the commission of unlawful acts and fraud. The operation and main powers thereof are set forth in the *Regulations of the Compliance Unit*.

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.

For more detailed information regarding the group's Compliance System, see the Ethics and Integrity section of Chapter II.7.

Policies and commitments

The Iberdrola group has a set of corporate policies that develop the principles reflected in the Corporate Governance System and that contain the guidelines governing the actions of the company and the companies of its group, as well as those of the directors, officers and employees thereof, within the framework of the *Purpose and Values of the Iberdrola group*.

The companies of the group assume a set of principles and values that express their commitment to corporate governance, business ethics and sustainable development. The awareness, dissemination and implementation thereof serve to guide the activities of the Board of Directors and its committees and of the decision-making bodies of the company in their relations with the company's various Stakeholders.

These policies, which can be viewed in full or in summary in the [Corporate Governance](#) tab of the website, are grouped into three categories:

- Corporate Governance and Regulatory Compliance Policies.
- Risk Policies.
- Sustainable Development Policies.

Iberdrola has also assumed certain public commitments that guide the activities of the group:

- By subscribing to various initiatives relating to the environmental and social dimension of its activities.
- Through its membership in certain business and social organisations, which are identified by their objectives and purposes.

Both the initiatives and the partnerships are available in the “Public Policies” section of Chapter II.7 of this report.

These policies and commitments serve to guide the company and its workforce to manage their activities, and specifically the material topics dealt with in this document.

Sustainable development policies

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Iberdrola has a [General Sustainable Development Policy](#) which sets out the general principles and provides the basis for governing the group’s sustainable development strategy. The goal is to ensure that all its corporate activities and businesses are carried out while fostering the sustainable creation of value for society, citizens, customers, shareholders and the communities in which the group is present, equitably compensating all groups that contribute to the success of its business enterprise.

This sustainable development strategy is based on a long-term vision that achieves a better future without compromising present results, favouring the achievement of the SDGs and rejecting actions that contravene or hinder them.

The actual and effective implementation of this strategy is to form part, along with the Corporate Governance System that supports it, of the virtual soul of the group, one of the key elements that differentiates it from its competitors and which is a deciding factor for its establishment as the preferred company for its Stakeholders.

The policy contains 5 cross-cutting principles of conduct in relation to:

- the sustainable creation of value
- transparency
- development and protection of intellectual capital
- innovation
- responsible taxation

And 6 principles of conduct in relation to the principal Stakeholders:

- shareholders and investors
- communities in which the group does business
- environment
- human team and talent
- customers
- suppliers

The *General Sustainable Development Policy* is further developed and supplemented by various sustainable development policies addressing specific needs and expectations of the Stakeholders:

- *Stakeholder Relations Policy*
- *Innovation Policy*
- *Policy on Respect for Human Rights*
- *Quality Policy*
- *Corporate Security Policy*
- *Human Resources Framework Policy*
- *Knowledge Management Policy*
- *Recruitment and Selection Policy*
- *Equal Opportunity and Reconciliation Policy*
- *Occupational Safety and Health Policy*
- *Sustainable Management Policy*
- *Environmental Policy*
- *Policy against Climate Change*
- *Biodiversity Policy*

The principles of conduct included in these sustainable development policies are described throughout this report.

Responsibilities

The “Corporate and governance structure, ownership and legal form” section of Chapter I.1 describes the organisational model of the Iberdrola group and its responsible persons. The responsibilities of the corporate functions or business units regarding the various aspects dealt with in this report are the following:

- The chairman & CEO of the Board of Directors, together with the Business CEO and the rest of the management team, assumes the duty of strategic organisation and coordination of the group through the dissemination, implementation and monitoring of the general strategy and the basic management guidelines established by the Board of Directors.
- Issues relating to corporate governance and that affect the legal area are the responsibility of the Office of the Secretary of the Board of Directors.
- Aspects relating to labour practices are the responsibility of the Human Resources and General Services Division, within the Finance and Resources Division.
- Aspects relating to the environment are the responsibility of the Innovation, Sustainability and Quality Division. And specifically, those aspects relating to the fight against climate change are the responsibility of the Energy Policies and Climate Change Division. Both divisions report directly to the chairman & CEO.
- Issues relating to procurement are the responsibility of the Procurement and Insurance Division, within the Finance and Resources Division if referring to general supplies, and the responsibility of the Wholesale and Retail Business, within the group’s General Business Division, if referring to the procurement of fuel.
- Those relating to regulation and public policies are the responsibility of the Planning, Management and Regulatory Positioning Division in coordination with the country subholding companies of each of the countries in which Iberdrola operates.

- Products sold, demand, customers and other related topics are the responsibility of the Wholesale and Retail Business if referring to liberalised markets like Spain or the United Kingdom, and of the Networks Business if referring to regulated markets like the United States or Brazil.
- Those relating to production facilities are the responsibility of the Wholesale and Retail Business or the Renewables Business, each within their scope of activity, and those relating to transmission and distribution facilities are the responsibility of the Networks Business. These three businesses are within the General Businesses Division of the group.

By way of complement:

- The Operating Committee, made up of the chairman & CEO, the Business CEO and the directors of corporate functions and business units, is an internal committee providing technical support, information and management, with respect to both the duties of supervision and monitoring as well as the strategic organisation and coordination of the group through the dissemination, implementation and monitoring of the general strategy and the basic management guidelines established by the Board of Directors, while always respecting the scope of day-to-day management and effective decision-making corresponding to the governance and management bodies of the head of business companies of each of the businesses.
- The Compliance Unit, as an internal and permanent decision-making body linked to the Sustainable Development Committee of the company's Board of Directors, is responsible for proactively ensuring the effective operation of the company's Compliance System, which is made up of all of the rules, formal procedures and significant actions intended to ensure that the company conducts itself in accordance with ethical principles and applicable law, and for preventing improper conduct or conduct that is contrary to ethics, the law or the Corporate Governance System that might be committed by the professionals thereof within the organisation.
- The Internal Audit Division ensures the proper operation of the information technology and internal control, risk management and governance systems of the company and of the group. Its activities are governed by the provisions of the Corporate Governance System, the *Basic Internal Audit Regulations of Iberdrola, S.A. and its group (BIAR)* approved by the Board of Directors and the other internal rules of the company, as well as the *International Standards for the Professional Practice of Internal Auditing* approved by the Global Institute of Internal Auditors (IIA). The BIAR is required knowledge of the professionals of the group that it affects, and describes the nature, organisation, competencies, resources, activities, powers and duties of the function and establishes the relations between the Internal Audit Area of Iberdrola, S.A. and the Internal Audit divisions of the other companies of the group.

To exercise these responsibilities, the Iberdrola model provides that they are assumed in a decentralised manner by the country subholding companies and head of business companies in each country, which are organised through their respective boards of directors. The head of business companies occupy themselves with the effective management thereof, as well as the day-to-day management and control thereof.

Responsibility in the sustainable development strategy

The implementation, monitoring and supervision of the sustainable development strategy is the responsibility of the various companies of the group in accordance with the corporate and governance structure of the group described in Chapter I.1, in all cases respecting the principles of subsidiarity and decentralised management through the various committees that assume duties in the area of sustainable development and reputation.

Specifically, the Corporate Sustainable Development and Reputation Committee has the duties of:

- defining the basic corporate lines of evolution of practices focused on the sustainable growth of the social dividend and improvement of the group's reputation,
- approving and monitoring development plans in both areas,
- acknowledging the most significant advances, and
- collaborating in the preparation of public information regarding these areas disclosed by the company.

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For its part, the [Sustainable Development Committee](#) of the Board (the composition and duties of which are described in the "Corporate governance" section of Chapter II.7) is vested with the power to, among other things:

- *Assess and review the Company's plans implementing the sustainable development policies and monitor the level of compliance therewith.*
- *Supervise the Company's actions relating to sustainable development and report thereon to the Board of Directors and to the Executive Committee, as appropriate.*
- *Supervise and evaluate the processes of relations with the various Stakeholders.*

The [Activities Report of the Board of Directors and of the Committees thereof](#) for financial year 2018, available on the corporate website, identifies the reports prepared by this Committee and the appearances that took place during the year.

Goals, resources and results

Iberdrola regularly publishes its medium- and long-term goals using various formats: [Capital Markets Day](#), the materials for which are available on the corporate website, is one of the most important events for communication of the company's future outlook. As additional information, Iberdrola annually publishes its [Integrated Report](#), which is also available on the corporate website, using the methodology of the [International Integrated Reporting Council \(IIRC\)](#).

To reach its financial and operational goals, Iberdrola has an annual process for assigning resources, by establishing the corresponding income and expense budgets, which are approved by the company's Board of Directors.

Internally, the various businesses and corporate organisations determine their annual goals in harmony with the strategic goals of the company, both financial and non-financial, directed specifically towards the activities for which they are responsible. The results obtained with respect to the established goals are used to establish the annual variable remuneration of the company's management team. The listed country subholding companies have their own process for establishing objectives and remuneration of their officers pursuant to their own special framework of strengthened autonomy, although they will be consistent with those of the Iberdrola group.

The sustainable development objectives are set by the different businesses and corporate divisions. Many of them are set out in the Social Responsibility Plan that the company prepares on a bi-annual basis. The table below shows the main objectives of the Social Responsibility Plan 2018-2019, which consists of more than 300 activities.

For more detailed information regarding the Social Responsibility Plan, see the introduction of Chapter II "Responsible Energy for People": Our Priorities.

The achievements obtained by Iberdrola are reflected in the performance of the various quantitative indicators covered by the various aspects dealt with in this report.

Principal sustainable development objectives 2018-2019

| Our priorities | Objectives |
|--|--|
| Fight against climate change and protection of biodiversity | 5 % reduction in specific direct emissions during the 2017-2019 period compared to the 2014-2016 period. |
| | Increase renewable installed capacity by 9 % during 2018 and 2019, with the start-up of 2,600 MW. |
| Contribution to the well-being of our communities | Continue providing access to energy for people who lack it, in line with the 2020 goal of reaching 16 million beneficiaries. |
| | Work with <i>Operation Fuel</i> in Connecticut (United States) to ensure that 1,200 people in vulnerable situations have access to energy throughout the year. |
| Sustainable economic growth | Maximisation of the volume of issues in the green financing market and update of the <i>Green Financing Issue Framework</i> to ensure consistency with the <i>Green Bond Principles</i> and available best practices. |
| | Develop new global Cybersecurity campaigns. |
| Innovation, digitalization and quality for our customers | Development of the <i>Innovation and Digital Transformation Programme</i> , applied to all the businesses. |
| | Development of new products for customers based on Data Analytics (Energy Wallet, Customised Plans) and development of new apps. |
| | Increase in subscriptions to electronic invoicing to 26 % of the entire Continental Europe portfolio by year-end 2018. |
| | Development of projects to improve management of the grids in distributed generation scenarios: <i>Alois</i> in Spain and <i>Fusion</i> in the United Kingdom. |
| | Development of the smart grid projects <i>Smart City</i> (Atibaia) in Brazil and <i>Smart Community</i> (Ithaca) in the United States. |
| Good governance, transparency and Stakeholder engagement | Approval by the Board of Directors of a new <i>Digital Presence and Action Policy</i> . |
| | Development of a unique model preparing scenarios to assess the environmental impacts of climate change on the company over the long term, conforming to the requirements of the Task Force on Climate-related Financial Disclosures (TCFD). |
| | Maintenance of ISO 37001 certification regarding the anti-bribery management system and UNE 19601 certification on the criminal compliance management system, as well as the Pro-ethics stamp at Neoenergia. |
| | Creation of an energy policy chair at the European level. |
| | Development of the Human Rights Management Model at the global level. |
| Promote Socially responsible practices in the supply chain | Improvement in the supplier sustainability evaluation model (now <i>RSC Scoring</i>) and actions to increase the percentage volume of procurement awarded to suppliers that have been evaluated in the area of sustainability. |
| | Review of the methodology for measuring the carbon footprint of suppliers to evaluate Scope 3. |
| | Preparation of a protocol for performing social audits at the first level of contracting. |
| Workforce health & safety and personal development | Reduction of accident ratios, highlighting the <i>0 Accident Plan</i> in Brazil. |
| | Continuous increase of female presence in significant positions. |
| | Development of continuous training plans for employees, monitoring compliance therewith. |

Key impacts on sustainability

102-15

The objective of Iberdrola's sustainable development strategy is to favour the "sustainable creation of value by engaging in the activities included in its corporate object, taking into account the Stakeholders related to its business activity and its institutional reality, in accordance with the *Purpose and Values of the Iberdrola group*", as set out in the *General Sustainable Development Policy* approved by the Board of Directors.

This sustainable development strategy is aligned with the implementation by the Iberdrola group of a business enterprise focused on the sustainable creation of value for all of its Stakeholders, providing a quality service through the use of environmentally-friendly energy sources, staying alert to the opportunities offered by the knowledge economy, and committed to the SDGs, especially in relation with goals 7 and 13 regarding universal access to energy and the fight against climate change.

For this purpose, the group innovates, makes new investments and promotes more efficient, sustainable and clean technologies, fosters the growth and develops the talent and the technical and human capacities of its professionals, works for the safety of people and supply, and labours to build a successful business enterprise together with all of the participants in its value chain, sharing the achievements with its Stakeholders.

The sustainable development strategy will endeavour to ensure the achievement of the following objectives, based on the principles set out in the SDGs:

- Cause all Stakeholders to participate in the success of Iberdrola's business enterprise through the social dividend generated by the group.
- Favour the achievement of the strategic goals of the group in order to offer a safe, reliable and high-quality supply of energy that is respectful of the environment.
- Improve the competitiveness of the group through the assumption of management practices based on innovation, equal opportunities, productivity, profitability and sustainability.
- Responsibly manage the risks and opportunities deriving from changes in the surroundings, and maximise the positive impacts of its activities in the various territories in which it operates and minimise the negative impacts, to the extent possible, avoiding short-term approaches or those that do not sufficiently take into account the interests of all Stakeholders.
- Encourage a culture of ethical behaviour that increases business transparency in order to generate credibility and trust within the Stakeholders, which includes society as a whole.
- Promote relationships based on trust and the creation of value for all of its Stakeholders, providing a balanced and inclusive response to all of them, particularly emphasising the involvement of local communities to glean their expectations regarding significant potential issues, and thus be able to take them into consideration.
- Contribute to the recognition of the group and the improvement of its reputation.

Furthermore, the group's commitment to sustainability specifically takes shape in five basic principles of conduct pursuant to its *Sustainable Management Policy*:

- Competitiveness of the energy products supplied.
- Safety in the supply of energy products.
- Reduction in environmental impact of all of the activities performed by the companies of the group.
- Creation of value for shareholders, customers and suppliers, looking after business profits as one of the foundations for the future sustainability of the company and of the group.
- Driving the social dimension of the activities of the group.

Iberdrola responsibly manages the main risks relating to the impacts where the group engages in its principal activities, along with the potential risks arising from the environment, thus maximising the positive impacts and minimising the negative ones, addressing the expectations of the Stakeholders.

For this reason, Iberdrola has a Comprehensive Risk Control and Management System that identifies, analyses and measures significant threats following common procedures for the entire group, which include ongoing assessment as well as the application of best practices and recommendations, as described in the following section "Long term risks and opportunities. Comprehensive Risk System.

Measurement of the social dividend

The measurement of the social dividend encompasses the principal direct, indirect and induced impacts, both present and future, generated by the group's activities, consistently with Iberdrola's commitment to the long-term sustainable creation of value.

Due to the diversity of sustainable development goals and commitments, the group uses a broad set of indicators that allows for an evaluation of the contribution from various viewpoints. Even though the indicators do not capture all of the impacts generated, the results obtained constitute an efficient assessment tool to verify the achievement of the bylaw-mandated commitment to the social dividend in the communities in which the group does business.

This assessment is taken into consideration by the Board of Directors when defining the group's strategy, and is shared transparently with all Stakeholders.

Long-term risks and opportunities. Comprehensive Risk System

102-15

The Iberdrola group is subject to various risks inherent to the different countries, industries and markets in which it does business and to the activities it carries out, which may prevent it from achieving its objectives and successfully implementing its strategies.

Aware of the significance of this issue, the Board of Directors of the company undertakes to develop all of its capabilities in order to adequately identify, measure, manage and control the significant risks to all the activities and businesses of the group, and to establish through the *General Risk Control and Management Policy* the mechanisms and basic principles for appropriate management of the risk/opportunity ratio.

All actions aimed at controlling and mitigating risks shall conform to the following main principles of conduct, among others:

- a) Segregate functions, at the operating level, between risk-taking areas and areas responsible for the analysis, control and monitoring thereof.
- b) Act at all times in compliance with the law and the company's *Corporate Governance System* and, specifically, with due observance of the values and standards reflected in the *Code of Ethics* and the principles and good practices reflected in the *Corporate Tax Policy*, under the principle of "zero tolerance" for the commission of unlawful acts and situations of fraud set forth in the *Crime Prevention Policy* and in the *Anti-Corruption and Anti-Fraud Policy*.

Comprehensive Risk Control and Management System

The *General Risk Control and Management Policy* and the basic principles underpinning it are implemented by means of a *Comprehensive Risk Control and Management System*, supported by a Risk Committee of the group and based upon a proper definition and allocation of duties and responsibilities at the operating level and upon supporting procedures, methodologies and tools suitable for the various stages and activities within the system, including:

- a) The establishment of a structure of risk policies, guidelines, limits and indicators, as well as of the corresponding mechanisms for the approval and implementation thereof.
- b) The on-going identification and analysis of significant risks and threats (including passive liabilities and other off-balance sheet risks), both for each corporate business or function and taking into account their combined effect on the group as a whole. To the extent possible, risks will be measured following homogenous procedures and standards common to the entire group.
- c) The analysis of risks associated with new facilities, as an essential element in risk/return-based decision-making.
- d) The audit of the system by the Internal Audit Division.

The risk factors to which the group is subject are generally grouped into the following categories:

- Corporate governance
- Market
- Credit
- Business
- Regulatory and political
- Operational, technological, environmental, climatic, social and legal
- Reputational

Effectiveness of risk management processes

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Generally, the group's *Comprehensive Risk Control and Management System* allows for proper *ex ante* identification of risks or sounds alarms that allow for the making of decisions tending to minimise the impact of the risks.

The pillars of the system include the on-going evaluation of the suitability and efficiency thereof, as well as best practices and recommendations in the area of risks for eventual inclusion thereof in the model.

The group's Risk Committee does so on a monthly basis. This committee is supplemented with the Credit Risk and Market Risk Committees, which report to said Risk Committee, and which meet on a fortnightly and monthly basis, respectively.

On at least a quarterly basis, the Audit and Risk Supervision Committee of the Board of Directors monitors trends in the group's risks:

- It reviews the group's quarterly risk report.
- It coordinates and reviews the Risk Reports sent periodically (at least half-yearly) by the Audit and Compliance Committees of the companies of the group that have such a body.
- On at least a half-yearly basis, it prepares a risk report for the Board of Directors.

A more detailed description regarding risk management at Iberdrola can be found in the following public documents, available on the website:

- Section "E" of the [Annual Corporate Governance Report](#) for financial year 2018.
- The "Principal risks and uncertainties" section of the [Consolidated Management Report](#) for financial year 2018.
- Note 5 to the consolidated financial statements for financial year 2018
- The [Integrated Report](#). February 2019.

Climate change risk management. Iberdrola and the TCFD

201-2

In 2015 the Financial Stability Board (FSB) established a Task Force to encourage investors to have sufficient information regarding the risks relating to climate change and the manner in which each company is managing it: the Task Force on Climate-related Financial Disclosures (TCFD). Climate change could entail various risks in the medium term, both transitional and physical (according to the types defined by the TCFD). In June 2017 the Task Force published recommendations to include an analysis of risks and opportunities relating to climate change in annual financial reports, as well as the adjustment of the company's strategy and governance thereto. The eleven recommendations of the TCFD are structured around four thematic areas:

- Governance
- Strategy
- Risk management
- Metrics and targets

Iberdrola was one of the first companies to publicly commit to implement these recommendations in its public reports by 2020. To this end, Iberdrola already published in its February 2018 Integrated Report a description of the level of development of the four aforementioned areas. It has deepened this analysis during 2018, and has prepared a publication analysing climate scenarios, as required by the recommendations.

Governance

Iberdrola's Board of Directors considers climate change to be a priority element for the company. In 2018 it undertook a profound reform of Iberdrola's Corporate Governance System strengthening the group's commitment to all of the SDGs, especially goals 7 and 13.

The Sustainable Development Committee of the Board is in charge of reviewing aspects relating to climate change, among other things, and receives regular reports. The 7 meetings that took place during 2018 included aspects relating to climate change in its agenda.

The Board of Directors revised the *Policy against Climate Change*, and specifically Iberdrola's contribution to the mitigation of climate change and to the decarbonisation of the energy model, gradually reducing the intensity of greenhouse gas emissions (expressed in grams of CO₂ per kWh generated) in order to place it below 150 grams of CO₂ per kWh by 2030 (which is a 50 % reduction in the intensity of emissions compared to 2007), continuing the development of electric energy from renewable sources, focusing innovation efforts within more efficient technologies having a lower intensity of carbon dioxide emissions, and progressively introducing them in their facilities, until reaching carbon neutrality by the year 2050.

Based on this commitment, there is also a link between the long-term incentive plan of the executive directors and the achievement of goals that support SDGs 7 and 13.

For more information, see the Corporate Governance System section of this chapter, as well as the following link [Corporate Governance System](#).

Strategy

Climate change is a key element for defining the company's strategy. Iberdrola treats it not only as a risk factor, but also as an opportunity for growth through mitigation and adjustment activities during the transition towards a low-carbon economy.

Iberdrola's strategy is aligned with the objectives of the Paris Agreement, given that the company has been integrating the fight against climate change into its strategy since the early 2000s, clearly committing to decarbonisation of the energy model through renewable energy, storage and smart grids, together with the commitment to achieve the SDGs.

In 2018 ScottishPower sold its 2,566 MW of thermal generation, making it the first vertically integrated company in the United Kingdom with 100 % renewable wind power generation facilities.

Iberdrola has chosen four climate scenarios on which it is performing the analysis of potential impacts on its business model:

- **Two transition scenarios** that for Iberdrola represent potential paths towards a low-carbon economy. They are based on plausible projects prepared by a third party, the International Energy Agency:
 - *Sustainable Development Scenario (SDS)*: this scenario assumes achievement of the climate change goals agreed to in Paris (<2°C), improvement in air quality and universal access to electricity in accordance with the UN SDGs.
 - *New Policies Scenario (NPS)*: a scenario based on the World Energy Outlook, which includes current and announced energy policies (e.g. nationally determined commitments, or NDCs, from the Paris Agreement).

There has been a comparative analysis of these two scenarios allowing for conclusions to be extracted by business and geographic area regarding the level of resiliency of Iberdrola's strategy with respect to climate change in the short and medium term. Continuity of the Outlook 2018-2022 has been assumed, with a qualitative transfer thereof through 2030.

The result of the analysis indicates that, thanks to the company's strategy and positioning in renewable energy, divestment from oil and coal plants, and smart grids, its business model is sufficient to face both scenarios.

It is important to note that, over the long term, Iberdrola's goal to achieve carbon neutrality by 2050 (which the company already set in 2009) is more ambitious than the goals sought under the NPS scenario and is aligned with the SDS.

- **Two physical scenarios**, based on the [IPCC Fifth Assessment Report](#), to diagnose the range of impacts:
 - *Representative Concentration Pathway 8.5 (RCP 8.5)* of the Intergovernmental Panel on Climate Change (IPCC): the most unfavourable case of the physical risks that the company might face corresponds to a 3.7° C increase in average global temperature during the 2081-2100 period.
 - *Representative Concentration Pathway 4.5 (RCP 4.5)* of the Intergovernmental Panel on Climate Change (IPCC): stabilisation scenario, taking account of the efforts being made and to be made at the international level to reduce greenhouse gas emissions.

Taking into account that adjustment to the physical risks arising from climate change is a major issue for a sector as strategic as electricity, Iberdrola has analysed the principal climate threats to which the electricity sector might be exposed under these two scenarios in the various jurisdictions and for the different technologies in the short, medium and long term.

From this analysis derive the specific detailed studies in those sectors and locations that have been identified as most vulnerable to the impacts of climate change, going into detail regarding the quantification of the impacts and ability to adapt.

The preliminary analysis evaluated the risks arising from the principal climate threats, like increasing temperature, changes in rainfall and increase in sea levels, considered to be chronic risks, as well as the increase in frequency and severity of extreme meteorological events (flooding, heat waves, hurricanes, etc.) for the various jurisdictions in which Iberdrola operates and for the different technologies, taking into account the vulnerability and exposure thereof. The RCP 4.5 and RCP 8.5 emission scenarios have been considered for the group of climate variables analysed in order to consider a scenario of emissions stabilisation (RCP 4.5) and a more pessimistic scenario of higher concentrations of GHG emissions, and thus greater changes in climate (RCP 8.5).

The analysis leads to the conclusion that the risks arising from climate change affect customary business variables and therefore variables managed within the customary processes of its operations. It is expected that climate change will affect the probability of occurrence and potentially the intensity of such events, for which reason, even if they do not constitute a new source of risk, there is a greater level of sensitivity to them.

Extreme phenomena are identified as one of the main threats to the different technologies and jurisdictions, the frequency and severity of which are expected to increase in coming years. However, there are plans and predictive systems that allow for the impacts arising from these events to be minimised. One example of an extreme event that was already managed is in the management of the networks in the United States, where Avangrid Networks launched a plan for the next 10 years, "Transforming Energy", in order to improve the resiliency of the network against severe storms, with measures like the replacement of supports and conductors, the improvement of tree trimming and maintenance, and better connectivity, among others.

The chronic impacts are progressive and will be occurring in the coming decades, relatively long periods, for which reason they will be managed based on the level of adaptation and resilience of the various facilities. This also means that, in large part, the group's future assets, and not the current assets, will be the ones bearing the most severe impacts, as all assets are gradually renewed when they reach the end of their useful life.

The adaptive ability of Iberdrola's facilities, and thus the ability to manage the risks arising from climate change, is due to, among other factors, the large diversification of generating assets that allows the group to better manage the risk arising from climate change and consideration of climate variability in traditional processes, like the replacement of equipment and the supply of spare parts, as well as in the technical specification of the equipment.

However, given the constant evolution of science and the uncertainty associated with studies on climate projection and the impacts thereof, the analysis must be continued and deepened in order to quantify the potential impacts and establish adjustment measures if necessary. There can thus be a detailed analysis of the variability of resources like hydraulic, wind and solar based on the location of the company's assets, and progress to the extent that climate science homogeneously introduces itself in the processes in the various countries in which Iberdrola does business. They are all lines within the working plan regarding the adjustment to climate change.

For more information regarding the company's strategy, see the document *Outlook 2018-2022* (or the document replacing it for a subsequent period), which can be accessed through its corporate website in the [About Us](#) section, as well as in the section "Key impacts on sustainability" of this chapter.

Risk management

As regards the process for identifying the risk of climate change, Iberdrola's Board of Directors and senior management are committed to identifying and evaluating the risks of the group: a) *Ex ante*: the risk tolerance levels are reviewed and approved annually through risk policies and limits that establish the qualitative and quantitative risk appetite at the level of the group and at each of the principal businesses and corporate functions; b) *Ex post*: at least one quarterly supervision of major risks and threats and the different exposures of the group, as well as compliance with the risk policies, limits and approved indicators.

Climate change covers various risks, which to a large extent are not new risks for Iberdrola. Pursuant to the *General Risk Control and Management Policy*, risks relating to climate change are included in the catalogue of threats. Within the group, the identification, analysis and management thereof is approached with a multi-departmental focus, in which there is cooperation between corporate as well as business functions with the participation of the highest management levels of the group. Regular review procedures are established for this purpose.

The group's control and risk management system considers and monitors the risks arising from climate change, which can be grouped into:

- Physical: potential material impacts on facilities.
- Transitional: associated with the process of global decarbonisation, including regulatory changes, market prices, technologies, reputation.
- Other: like risks in the supply chain and social phenomena.

Based on the estimates of the impacts and Iberdrola's mitigating elements (included in section 4.7 of the Consolidated Management Report), it is not expected that the climate change risks evaluated will have a catastrophic or permanent impact on the group's consolidated figures analysed to 2040, which are globally resistant. In any case, the opportunities arising for the company from the decarbonisation of the global economy are greater than the risks.

It should be noted that although the impacts from climate change can already be seen in the short term (e.g.: greater intensity and frequency of climactic events in certain geographic areas), they are gradual and over relatively long terms.

Finally, although they represent an enormous challenge, climate change and the necessary transition towards decarbonisation of the energy model are also an opportunity compatible with growth and profitability for the company. Iberdrola has undergone a profound transition in this regard over the last two decades, clearly anticipating the energy transition to face the challenges of climate change and the need for clean electricity. Today, the group is perfectly positioned to take advantage of the following opportunities, among others, thanks to its leadership in renewable energy, smart grids, storage and digitalization, and its commitment to the transition towards a low-carbon and climate-resistant economy:

- **Investment opportunities and improved competitive advantage.** Legislative and regulatory changes encouraging decarbonisation through greater electrification, the development of renewable energy and the integration thereof into the electricity system through smart grids and backup capacity, technological innovation, etc.
- **New services and markets.** Demand for new energy services and products related to the energy transition (e.g. electric mobility, demand-side management, smart grids, energy storage, etc.).
- **Advantages in the acquisition of financing.** Growing pressure on the financial sector and capital markets, which favours those companies with an ambitious decarbonisation strategy, low exposure to assets linked to climate change and good positioning on the sustainability and transparency indexes.
- **Strengthening of corporate reputation.** Result of a leadership position in the energy transition.
- **Sustainable creation of value.** Maximisation of the social dividend for all Stakeholders.

For more information regarding the management of climate risks, see section 4.7 “Climate change risks” of Chapter 4. “Principal risks and uncertainties” of the [Consolidated Management Report](#) for financial year 2018, as well as the [Integrated Report](#). February 2019.

Metrics and targets

Iberdrola includes in this sustainability report and in the Integrated Report significant indicators to report on aspects relating to climate and to the strategy of the fight against climate change, including the [greenhouse gas emissions inventory](#), the intensity of emissions, reduction targets, the use of energy, energy intensity, the energy mix, renewable installed capacity, use of water, source of water, R&D+i and Capex in the development of low-emission products, services and/or technology.

Iberdrola believes that disclosure of the financial risks relating to climate change in a consistent and improved manner will allow for the establishment of a constructive and well-informed dialogue amongst investors and companies regarding the opportunities and risks relating to their activities.

For more information, see the “Reduction in emissions” section of Chapter II.3. Iberdrola also has a specific section on its website called [Against Climate Change](#) in order to show the company’s efforts to mitigate and adapt to the consequences of climate change.

II. “Responsible Energy for People”: Our Priorities

Responsible energy for people

Our commitment to sustainable development is realized by integrating the **United Nations 2030 Agenda** into the strategy and operations of the Iberdrola Group.

Our greatest contributions to the achievement of the Sustainable Development Goals are oriented around **two major axes** which inspire our actions: **we take care of the planet** by being at the forefront in reducing emissions in the energy sector, and **we contribute to the welfare and progress of societies** in all the territories where we are present. Iberdrola's commitment materialises through different lines of work which encompass more than **300 environmental, social and economic actions**, thus responding to the expectations and needs of our Stakeholders.



II.1. Sustainable Economic Growth

- Economic/financial impact
- Green financing
- Energy transition and supply costs
- Creation of employment and salaries
- Stable labour environment. Commitment to quality employment



Main priorities of the SR Plan

- Sustainable economic growth ✓
- Workplace health & safety and personal development
- Fight against climate change and protecting biodiversity
- Innovation, digitalization and quality for our customers
- Contributing to the wellbeing of our communities
- Good governance, transparency and stakeholder engagement
- Promoting CSR in the supply chain

Economic/financial impact

Contribution to SDGs of the performance described by the indicators of this section
(according to SDG Compass www.sdgcompass.org)



GRI 201

The electricity sector is a significant driver of the economy, to which it continuously contributes through significant investments and the creation of high-quality jobs, both direct and indirect. Its function is to provide safe, competitive and sustainable supply. Generation technologies using renewable sources are decisive in the fight against climate change, as they allow for increased electrification of the economy, thus reducing dependency on fossil fuels.

Iberdrola continues to engage 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, supported by a business strategy of sustainable growth and geographic diversification.

Analysts describe a global scenario for the energy sector characterised by an increase in energy demand, tied to a need to reduce CO₂ emissions. Estimates call for high growth in demand in the medium and long term in emerging countries and moderate growth in the developed world. In any event, this energy transition will require large investments in renewable generation facilities, in smart grids and in efficient storage; all accompanied by greater digitalization to support efficiency and the development of new products.

Iberdrola's strategy, implemented at the beginning of the 2000s, has been based precisely on these growth vectors: investment in renewables, smart grids, efficient storage, digitalization and customer solutions. The strategic pillars defined by the company are profitable growth, operational excellence, customer-focused operations, the optimisation of capital, and innovation. Its current leadership position reflects the benefits of its forward vision and diversification of businesses and areas.

A summary of the Iberdrola strategy can be found in the document *Strategic Overview 2018-2022* (or in the document superseding it in a subsequent period), which can be accessed through its corporate website in the [About Us](#) section.

Iberdrola's financial results for the year are summarised in the [Results](#) section of the website. Alongside these results, the company also requires its companies to explain how they are achieved and to evaluate them in terms of sustainability, understanding that adequate disclosure of non-financial information is an essential element for the sustainability of financing activities.

This *Sustainability Report 2018* covers the requirements arising from the entry into force of the new Law 11/2018 on non-financial information and diversity, forming an integral part of the company's management report. The [Annual Reports](#), the *Integrated Report. February 2019*, the quarterly results reports and other operational and financial information of interest can also be found on the website.

201-1

| Direct economic value generated, distributed and retained (€ millions) | 2018 | 2017 | 2016 |
|--|--------|----------------------|--------|
| Iberdrola total | | | |
| Revenue (sales and other income) | 36,273 | 32,714 ¹² | 30,706 |
| Operating costs | 22,433 | 20,446 | 18,588 |
| Employee remuneration (excluding company social security costs) | 2,387 | 2,517 | 2,260 |
| Payments to providers of capital | 2,402 | 2,916 | 2,692 |
| Payments to government administrations | 3,096 | 2,723 | 2,740 |
| Community investments (verified according to the LBG Model) | 54 | 63 | 36 |
| Economic value retained | 5,901 | 4,049 | 4,390 |

Information by geographic area can be found in Annex 1 Supplementary Information.

Financial assistance received

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

201-4

| Financial assistance (€ millions) | 2018 | 2017 | 2016 |
|---|------------|------------|------------|
| Capital subsidies | 6 | 10 | 13 |
| Operating subsidies | 3 | 6 | 3 |
| Investment tax credits ¹³ | 8 | 30 | 0 |
| Production tax credits ¹⁴ | 91 | 90 | 87 |
| Assistance for other items included in the GRI Protocol | 0 | 0 | 0 |
| Iberdrola consolidated total | 108 | 136 | 103 |

Information by geographic area can be found in Annex 1 Supplementary Information.

¹² Includes Sales in the amount of €31,263 million and Other revenue €1,451 million.

¹³ *Créditos fiscales a la inversión.*

¹⁴ *Créditos fiscales a la producción.*

GRI 203

In addition to the direct economic impacts that occur as a result of the cash flows that are generated, the Iberdrola group also induces additional effects or indirect economic impacts such as those described below:

203-2**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. This can also support the revitalisation and repopulation of underpopulated rural areas.
- 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, supplier services, etc.
- Due to this geographic reach, electricity activities generate fees, taxes and duties at the local, regional and national levels and allow for the generation of revenue in very different areas, to which one must add the tax loads associated with increased commercial and financial activity.
- In local communities, professional training is promoted and skilled labour, such as services for building and maintaining wind farms, is boosted.
- Local communities are supported through sponsorship of the initiatives of social and environmental institutions and organisations.

Negative effects can be considered to include the following:

- 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 ever more demanding operational practices developed by the group.
- 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.

Indirect impacts of the supply chain

The high volumes of Iberdrola's purchases (described in detail in the "Description of supply chain" section of Chapter II.6) 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 entrepreneurial projects through a number of significant initiatives, including the following:

- In 2018 Iberdrola procured a volume equivalent to 42.6 million euros from companies in Spain that have been operating for less than 5 years, which is clear support for entrepreneurship.
- Inclusion of the specific category *Generation of employment and employment of youth* at the Supplier of the Year Awards in Spain: incentivising the suppliers to commit to youth and female employment, and encouraging them to offer high-quality professional opportunities to youth, which will undoubtedly lead to an improvement in competitiveness and innovation at the companies and will allow them to retain talent.
- Iberdrola's venture capital program, *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. For more information about this programme, see the section "Digital innovation and transformation projects" of Chapter II.4, as well as the [Innovation](#) section of the corporate website.

203-1

During the construction and operation of its facilities, Iberdrola also 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 2018 is provided below:

- Noteworthy is support for professional formation and training in areas near Iberdrola's facilities. In 2018, more than 8,000 people visited the Energy Classrooms near the wind farms in Spain. There is also a visitor centre in the United Kingdom at the Whitelee windfarm, where visits are received from the general public and from school groups.
- In Mexico, it has participated in the construction and/or improvement of various recreational and educational centres, as well as infrastructure improvement and expansions of potable water and sewerage networks.
- In the United Kingdom, action has been taken to improve the various infrastructures as well as landscape improvements for the enjoyment of the people near the different production centres.
- Finally, one should note the collaboration with Hydrographic Confederations and other bodies in Spain to enable various activities near the hydroelectric reservoirs (sports events, support for reproduction of certain species, etc.), by adjusting flows at certain times, as well as specific assistance in the repopulation of species.

Green financing

Iberdrola is a world leader at the company level with respect to green financing, highlighted by the number and amount of green bonds issued. All of the foregoing is to align with its vision and values, optimise the cost of its debt and diversify its sources of financing.

The differentiating feature of such bonds is the commitment of the issuer to use the proceeds to finance or refinance socially responsible projects like renewable energy, improving efficiencies in electricity transmission grids and researching more efficient energy sources. The issuer also commits to regularly report the return on its investments in these projects in terms of sustainability.

The company issued its first *green* bond in 2014, and since then has intensified its financing in this SRI (Socially Responsible Investing) focused market, with many more issues, in various areas: both public and private, senior and subordinate (November 2017 and March 2018 hybrid green bonds), by the corporation as well as its subsidiaries (Avangrid *green* bond in November 2017).

The process for selecting and evaluating projects that can be (re)financed by green instruments is articulated in the [Iberdrola Framework for green financing](#) (the "Framework"), which has been verified by PriceWaterhouseCoopers Auditores, who also verify this *Sustainability Report*, and is fully consistent with the *Green Bond Principles*.

The validation of the projects eligible for each issue can also be found in the corresponding *Second Party Opinion* prepared by VigeoEiris and available on the corporate website. It is important to note that the issue of this type of financial asset requires not only compliance with the *Green Bond Principles* and of the *Framework* at the operational level, but also the existence of a strong sustainability profile of the issuing group.

The table below summarises the environmental benefits in 2018 related to investments financed with the green bonds issued by Iberdrola.

| Bond | Area of investment | Installed capacity attributable to the bond (MW) | 2018 output attributable to the bond (GWh) | CO ₂ avoided due to the bond (Tm) |
|--------------|--------------------------|--|--|--|
| XS1057055060 | Renewables ¹⁵ | 478 | 1,000 | 220,493 |
| XS1398476793 | Renewables | 736 | 1,384 | 324,862 |
| XS1490726590 | Renewables | 403 | 805 | 227,687 |
| XS1527758145 | Renewables | 540 | 1,128 | 247,033 |
| XS1564443759 | Renewables | 201 | 237 | 63,509 |
| XS1575444622 | Renewables | 340 | 794 | 313,010 |
| XS1682538183 | Renewables | 279 | 587 | 223,618 |
| XS1721244371 | Renewables | 648 | 1,309 | 370,542 |
| XS1797138960 | Renewables | 225 | 0 | 0 |
| XS1847692636 | Renewables | 241 | 0 | 0 |
| XS1924319301 | Renewables | 25 | 81 | 46,874 |

For more details on these issues and their sustainability returns, see the *Report on Green Bond Returns* available in Annex 3 of this report.

¹⁵ Among others.

Energy transition and supply costs

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



Demand-side management

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 to thus contribute to the more efficient use of energy by consumers, and thereby reduce CO₂ emissions and contribute to the fight against climate change.

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 of its geographic areas and for its various types of customers.

The main activities performed are broken down separately due to the unique nature and law of each country or market:

Spain

Noteworthy is the completion of the smart meters installation plan in Spain, reaching a figure of 10.7 million meters installed, within the *STAR* programme.

Iberdrola also sells a wide range of products and services that promote efficiency, energy saving and environmental protection, all within its *Smart Solutions*:

- Energy efficiency: efficient air conditioning and lighting, capacitor banks, home automation systems and other solutions.
- Renewable energy facilities: solar photovoltaic energy.
- Comprehensive management of energy supplies.
- Electromobility.

In 2018 more than 800,000 customers benefited from products and services that improve energy efficiency.

In the industrial and commercial sectors, there are initiatives to diagnose and propose measures for energy savings and efficiency, like efficient lighting, efficient air conditioning, etc.

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

In addition, Iberdrola's contribution to the Energy Efficiency Fund, used to increase energy efficiency in the different energy consumers sectors in a way that contributes to reaching the national energy savings goal established by the National Energy Efficiency Obligations System (*Sistema Nacional de Obligaciones de Eficiencia Energética*) was 15.2 million euros.

United Kingdom

In the residential customer market, ScottishPower is participating in the *Energy Company Obligation (ECO) Programme*, sponsored by the British government, the purpose of which is to reduce CO₂ emissions and heating costs through insulation and energy efficiency measures. It also provides energy consultancy and support services through a range of channels, with a team of accredited consultants.

In the area of commercial and industrial customers, the company's products are focused on energy savings, cost reductions and CO₂ emissions. These include automated controls that allow for proactive or reactive response to the requirements of the grid.

In addition, there has been continued development of the Demand-Side Response (DSR) products to generate business opportunities through the management of one's own energy consumption based on network requirements.

United States

There are various energy efficiency programmes in the states in which Avangrid distributes electricity, including *Clean Energy Communities* and *Home Energy Solutions* in Connecticut.

There are also programmes to help improve the energy efficiency of homes under construction or undergoing major renovations. There is also the *Residential New Construction* programme in Connecticut and the *Berkshire Gas New Construction Initiative* in Massachusetts.

Brazil

The companies of the Neoenergia group carry out various energy efficiency programmes for residential customers. For example, the *Vale Luz* programme, which promotes the safe and efficient use of electric power, and the *Energia con Cidadania* project, intend to encourage reduced consumption. There is also a programme for training in the efficient and safe use of energy for educators, students and the general population.

In the institutional and industrial segments, Neoenergia has carried out a range of projects relating to the improvement of energy efficiency and the development and improvement of the competitiveness of these sectors.

Generally, most of the programmes seek to promote energy efficiency in the buildings of customers and help to control their electricity consumption through various tools, allowing this consumption to be monitored.

Availability and reliability

EU10

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.

Government 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.

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 (which role is played by Red Eléctrica de España, S.A.), which regularly studies different operation scenarios to verify the robustness of the system. Iberdrola significantly contributes to increasing reliability in the operation of the system by providing great flexibility through hydroelectric generating and pumping capacity as well as with a pioneering renewable energy control centre.

The Networks Business also contributes to guaranteeing reliability, performing studies to identify the short- and long-term investments needed to meet the increase in demand and to renew older facilities by adopting more modern technologies and network digitalization programmes, with a view to guaranteeing a more operational and reliable network. Of note is completion of the deployment of smart meters, with 10.7 million installed, a modernisation of 99.9 % of the company's meters in Spain. The investments in smart distribution grids helps to improve reliability and availability of the networks.

United Kingdom

A large part of the United Kingdom's generating facilities is reaching the end of its use 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 required capacity to cover demand depending upon its system reliability target, and asks for bids from industry players owning facilities or projects, awarding the required capacity. February 2018 saw the fourth long-term T-4 auction, in which both existing plants and new projects took part. Iberdrola is developing new projects in offshore wind technology.

Electricity transmission network activities are governed by the RIIO-T1 regulatory framework for the 2013-2021 period. Investments with a dual purpose are being considered during this period: 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. Of note is the start-up of the Western Link subsea cable, which has increased transmission capacity between Scotland and Wales by 2,000 MW. Both objectives will make it possible to guarantee reliable, high-quality service in the coming years.

The reliability of electricity distribution networks 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 regulatory framework for the 2015-2023 period. The investments in smart distribution grids helps to improve reliability and availability of the networks.

United States

Iberdrola is among the leading producers of wind energy in this country.

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 (NYISO) 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 of 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 the increase in demand, and to renew older facilities by adopting more modern technologies, with a view to ensuring a more operational and reliable network.

The construction of the 233 km HVDC transmission line (New England Clean Energy Connect) awarded to Avangrid in 2018 will improve grid stability and reliability, allowing for the supply of 1,200 MW of 100 %-hydroelectric energy to the state of Massachusetts. The project is in the initial phase of obtaining the main permits.

Brazil

The group's companies in Brazil manage major electric distribution areas and electricity production plants. They work in close cooperation with the public administrations, developing systems to help them attain energy planning goals, achieving the desired balance between available resources and the quality and reliability of the electricity supply.

Iberdrola's Networks Business contributes to ensuring the reliability of electricity supply, making investments to meet the rapid increase in demand and electricity consumption in the areas in which it distributes, ensuring a more functional and reliable network. It also invests in electricity transmission projects that will encourage robustness by improving the backbone of the system. 4 transmission projects

were awarded in December 2018 involving the construction of 3,000 km of transmission lines, favouring the safety of the system.

Other examples of activities to improve the quality of supply in Brazil during 2018 are:

- Improvement of prioritisation of incidents based on their scope (number of customers affected and duration of the interruption) and definition of a new contingency plan for the crisis.
- Review and expansion of automation, improving coordination of protective equipment and expanding automation of the lines.
- Construction of nine new substations.

The group's companies in Brazil also participate in developing generating facilities (hydroelectric, wind and photovoltaic).

Mexico

In Mexico, a major portion of production is generated by combined cycle generation plants with long-term contracts from the Federal Energy Commission. These plants contribute to the country's energy transition with efficient energy, providing safety of supply and high levels of availability. The rest of the production is sold through long-term contracts to private customers.

Iberdrola is also investing to grow in the segment of renewable energy, especially wind and solar photovoltaic.

Fuel

A key element in managing the availability of electricity service is the procurement of the necessary fuel. Iberdrola ensures it has a global portfolio of gas and coal contracts 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, allowing for reduction of risks and ensuring a margin on forward sales. These financial contracts are primarily used to fix the costs of coal and gas under long-term contracts. Derivatives are also used to cover fuel costs in euros, as purchases are usually made in U.S. dollars.

The Iberdrola group's generation facilities have high availability factors, as shown below:

EU30

| Average availability factor of generation technologies (%) | 2018 | 2017 | 2016 |
|--|-------------|-------------|-------------|
| Combined cycle | 90.4 | 90.9 | 89.9 |
| Conventional thermal | 94.3 | 93.9 | 85.5 |
| Cogeneration | 92.2 | 82.8 | 91.0 |
| Nuclear | 89.3 | 89.3 | 86.0 |
| Hydroelectric | 86.9 | 86.0 | 87.0 |
| Wind | 96.4 | 94.4 | 96.8 |
| Total¹⁶ | 91.6 | 90.5 | 91.0 |

Information on the availability factors in the various countries is described in Annex 1 Supplementary Information.

Supply costs

The cost of electricity supply, and the energy transition, are taking on a greater role in the political and social agenda. The principal challenge is to reconcile secure and environmentally friendly supply, thanks to the use of renewable energy, with 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 some of them. The most significant cost-related issues being debated and regulatory developments currently occurring in these countries are described below:

European Union

- The Agency for the Cooperation of Energy Regulators (ACER) and the European Commission, in studies on electricity prices published since 2016, confirm that taxes and components associated with energy and environmental policies are what have grown the most in recent years, reaching half of the bill in countries like Spain. This increase is mainly due to the electricity sector being the only sector that financially supports the renewable energy development goal imposed by the European Union. A competitive electricity supply requires the elimination of cost components outside of the service itself, which must be accommodated through general taxes for renewable goals to be distributed among all polluting energies.
- The Clean Energy for All Europeans package includes various legislative proposals, including a revision of the Market Design favouring the energy transition and responding to the need to comply with the 2030 environmental agenda (40 % reduction in GHG emissions, 32 % increase in renewables and 32.5 % improvement in energy efficiency), monitoring the safety of supply and the competitiveness of the European industry, and allowing prices that are accessible for European citizens.
- As regards the existence of specific regulated rates for vulnerable customers, the Package maintains the situation until 2025, when the Commission will analyse the situation and may propose the elimination thereof.

¹⁶ Weighted average with the installed capacity.

Spain

- The wholesale price for electricity in the Iberian *SPOT* market is aligned with the other European markets. According to the Third Report on Energy Prices and Costs in Europe published by the European Commission at the beginning of 2019, prices for industrial customers in Spain are below the European average. For residential customers, Spain holds fifth place in the European Union, after Germany, Denmark, Belgium and Portugal. However, as mentioned above, only half of the electricity bill of certain customers, especially those in the residential and commercial segment, is directly related to the provision of the service. The rest derives from the pursuit of energy policy goals (aid for renewable energy and cogeneration), social goals (subsidies for electricity in non-mainland territories and recovery of tariff deficits from previous years) and taxes.
- The government has approved a Royal Decree Law (15/2018) with urgent measures for the energy transition and the protection of vulnerable consumers, which seeks to reduce the price of domestic invoices and expand coverage for vulnerable groups, among other things. Along these lines, it expands subsidised rates (*bono social*) to certain groups, creates a thermal subsidised rate for heating, eliminates the "green cent" tax on gas and temporarily suspends the tax on electric power production. All of these measures help to reduce the final price.
- Iberdrola has included in its *General Sustainable Development Policy* the protection of customers in situations of vulnerability, in order to ensure energy supply to this group. For this purpose, it is taking action to promote, inform and facilitate access to the subsidised rates, and it is also working with public authorities, various institutions and NGOs to identify and protect economically disadvantaged persons (see "Access to electricity" section of Chapter II.5).

United Kingdom

- In 2018, the UK government approved the "Tariff Cap" law and Ofgem defined the cap for the standard variable tariffs (SVT) at 1,137 pounds annually for a dual customer (gas and electricity) with direct debit from 1 January 2019 until 31 March of 2019. Ofgem published the new limits that will apply from April to October 2019 on 7 February: 1,254 pounds annually for dual customers. The price limits will apply until no later than 2023 and will be updated on a half-yearly basis.
- Although the government continues working to minimise the costs that it controls, as a demonstration of its environmental commitment it has maintained the minimum price of CO₂ and has announced an annual budget of 60 million pounds for the next auction of Contracts for Differences for projects commencing during the 2023-24 and 2024-25 periods. The government expects to award between 1 and 2 GW of offshore wind.

United States

- The Environmental Protection Agency (EPA) has proposed an "Affordable Clean Energy" (ACE) rule to replace the Clean Power Plan (CPP) which establishes guidelines for the states allowing them to develop greenhouse gas reduction plans for existing coal plants. The ACE is mainly based on making efficiency improvements at generating plants and on the application of new technologies, giving states the flexibility to develop their own plans for regulating the emissions of generating plants.
- The development of smart grids, the rapid replenishment of supplies in the face of extreme weather conditions, new EPA regulations, and the integration of new energy sources require major investments, which sometimes conflicts with the goal of reducing final tariffs. These final rates are agreed between the distributors and the state regulators.

Brazil

- According to the International Energy Agency's *Renewables 2018* market report, Brazil has the least polluting energy matrix among the large economies of the world. 43 % of final energy consumption in Brazil is from renewable sources, which rises to 85 % if we analyse the electric generation mix.
- Prices in Brazil's electricity market are highly dependent on the hydrological situation of the country and on rainfall expectations; in fact, the hydrological situation worsened beginning in April 2018,

causing the Regulator to activate the yellow tariff flag in May and second-level red from June to September (both inclusive), meaning that the final consumer pays an additional cost of 5 Brazilian reais per 100 kWh consumed. The yellow flag was activated during the last quarter of the year, meaning an additional cost of 1 Brazilian reais for each 100 kWh.

- Furthermore, according to ANEEL data, almost 30 % of Brazilian domestic consumer electric invoices are due to taxes, 53 % corresponds to generation, transportation and other industry costs and 17 % corresponds to energy distribution costs.
- Brazil has the "Light for All" programme for vulnerable consumers, which has been extended to December 2022 for Coelba. This programme was created in 2003 in order to electrify rural, isolated and economically disadvantaged areas. The programme is coordinated by the Ministry of Mines and Energy, operated by Eletrobrás and executed by the energy concessionaires and rural electrification cooperatives. The programme is financed by industry funds, by the state governments and by the electric power distribution companies. The current Coelba contract is financed 65 % with industry funds (CDE account) and 35 % with own funds that are recovered in the tariff revisions every 5 years. The Coelba contract does not have financing from the government of the State of Bahia.
- The Ministry of Mines and Energy has approved the Decennial Energy Expansion Plan, which provides for the installation of a total of 54.6 GW between this year and 2027, of which 32.3 GW will be renewable. Breakdown by technology: 13 GW will be wind, 6.9 GW solar and 6.8 GW hydroelectric, with the remaining 5.6 GW being biomass and mini-hydro. It is also expected that 40,227 million euros will be allocated to the transmission business.

Mexico

- In Mexico, private investment in electricity generation, the goals of renewable generation and the establishment of a system of clean energy certificates are encouraging competition and the diversification of the energy matrix, which is allowing for a reduction in generation costs. These goals are being reached to a large extent thanks to the long-term energy auctions, which allowed for the construction of 7,451 MW of clean energy and very competitive prices at the global level. There were three auctions of this type through the end of 2018, and the price has progressively decreased from USD 41.8/MWh for the first auction to USD 20.57/MWh for the third.
- At the end of 2017 the CRE published a new methodology for calculating the regulated rate for basic supply, which is now additive, reflecting the costs of the system. This new methodology has been gradually implemented for industrial consumption during 2018. Domestic consumption will remain with the old methodology indefinitely.

As an electricity operator in these countries, Iberdrola maintains a spirit of cooperation with regulators of the electricity supply systems to help define their growth, and will operate within the established regulations, defending the decarbonisation of the economy and supporting frameworks that expand free-market activities and market transparency and encourage required investments and efficient operations, through tariff schemes that send efficient signals to consumers and do not penalise them compared to other sources of energy.

For more information about the business environment and the main factors and trends in the markets in which the company operates, see the [Integrated Report. February 2019](#).

Nuclear plant decommissioning

Iberdrola is the only 100 %-owner of a nuclear plant in Spain (Cofrentes). It also has interests in Almaraz I and II (52.69 %) Trillo (49 %), Vandellós II (28 %) and Ascó II (15 %), as indicated in the section "Scope of information of Chapter III. About this Report".

According to Law 25/1964 on nuclear energy, the management of radioactive waste, including spent nuclear fuel, and the decommissioning and closing of the nuclear plants, is an essential public service reserved to the State, pursuant to article 128.2 of the Spanish Constitution. This law vests Empresa Nacional de Residuos Radiactivos S.A. (Enresa) with the management of this public service.

Enresa prepares the *General Radioactive Waste Plan (Plan General de Residuos Radiactivos)* (PGRR), which is the basic reference document setting forth the strategies to be followed and activities to be carried out in Spain in the fields of radioactive waste management and plant decommissioning, together with the corresponding economic/financial study. The PGRR is sent to the Ministry of Ecological Transition (MITECO) with a 4-year frequency, or whenever the Ministry requires, for approval after a report of the Nuclear Safety Council, after hearing from the Autonomous Communities with respect to territorial and environmental ordinances. The first PGRR was adopted in 1987 and the sixth, approved in June 2006, is currently in force.

The financing system in Spain for PGRR activities is based on contributions from waste-generating entities called the "Fund for the Financing of the General Radioactive Waste Plan Activities". The fund is managed by Enresa and includes provisions for the decommissioning of nuclear power plants.

Iberdrola makes contributions to the fund through a fee that is calculated by Enresa and approved by the government, which covers all management expenses relating to the management of the spent fuel and the radioactive waste generated at its plants, as well as the expenses corresponding to the decommissioning and closure thereof, as provided in the PGRR.

In addition, Iberdrola records a reserve on its balance sheet to cover the pre-decommissioning stage of its nuclear power plants. Pre-decommissioning means the period from the final cessation of operations of the plant and decommissioning approval, at which time ownership of the plant passes to Enresa. The current sixth PGRR establishes a period of 3 years for this stage.

Nuclenor, S.A., the company owning the Santa María de Garoña plant in which Iberdrola has a 50 % interest, created a reserve for the pre-decommissioning to pay for the closure once commercial operation of the plant has ended and until Enresa takes ownership thereof.

Creation of employment and salaries

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



GRI 401 GRI 402

Policies and commitments

The professionals of the Iberdrola group form a global, multicultural, committed and qualified team that contributes to the sustainable creation of value with its work and talent.

The policies defined for the management of human resources contain guidelines governing labour relations among the various companies of the group and serve as a reference to define the company's employment-related goals: maintaining employment guarantees and a stable relationship with workers; strengthening of occupational health and safety and training aspects; protection of diversity and equal opportunity in access to employment; promotion of professional development; and promotion of behaviour and attitudes among its entire workforce in line with ethical principles.

Iberdrola has a *Human Resources Framework Policy*, the purpose of which is to define, design and disseminate a human resources management model of the group that will allow it to obtain, promote and retain talent and encourage the personal and professional growth of all people belonging to the group's workforce, making them participants in the successful business enterprise and guaranteeing them a dignified and safe job.

This policy is further developed in the following specific policies:

- *Recruitment and Selection Policy*
- *Knowledge Management Policy*
- *Equal Opportunity and Reconciliation Policy*
- *Occupational Safety and Health Policy*

The key principles for the conservation of human capital are considered to be the design and implementation of frameworks for the management of human resources and labour relations that allow all employees to share in the group's success and promote the economic and social development thereof, thereby contributing to compliance with SDG 8 Decent Work and Economic Growth, and furthering competitiveness and business efficiency.

Principles of the Iberdrola group's business culture

| | |
|---|--|
| Satisfaction of legitimate expectations | Of all Stakeholders. |
| Financial and non-financial results | All of our actions must be focused on results. |
| Human capital | Invest in our largest asset, our employees. |
| Professionalism | For leaders, managers and/or technicians. |
| Multinational | Teams with different cultures and locations who work together. |
| Integration and commitment | To the organisation. |
| Communication | Open, transparent and systematic at all levels. |

Objectives

In relations with its employees, Iberdrola has identified as especially significant issues:

- Culture: the strengthening of a group corporate culture.
- Integration: encouraging the integration of the people joining the group (Onboarding Programme).
- Recruitment: defining a basic recruitment model at the international level.
- Training: the implementation of an integrated training management system.
- Diversity: raising the awareness of our workforce with respect to diversity.

Our workforce

405-1

| Employees in the workforce | 2018 | | 2017 | | 2016 | |
|---|---------------|--------------|---------------|--------------|---------------|--------------|
| | no. | % | no. | % | no. | % |
| By gender | | | | | | |
| Men | 26,117 | 77 % | 26,229 | 77 % | 25,925 | 76 % |
| Women | 7,961 | 23 % | 8,026 | 23 % | 8,157 | 24 % |
| By age group | | | | | | |
| Up to 30 years old | 5,378 | 16 % | 4,924 | 14 % | 4,955 | 14 % |
| Between 31 and 50 years old | 19,512 | 57 % | 18,912 | 55 % | 18,541 | 55 % |
| Over 50 years old | 9,188 | 27 % | 10,419 | 31 % | 10,587 | 31 % |
| By professional category | | | | | | |
| Management team | 830 | 2 % | 928 | 3 % | 854 | 2 % |
| Middle managers and skilled technicians | 14,240 | 42 % | 14,676 | 43 % | 16,589 | 49 % |
| Skilled workers and support personnel | 19,008 | 56 % | 18,651 | 54 % | 16,639 | 49 % |
| Number of employees | 34,078 | 100 % | 34,255 | 100 % | 34,082 | 100 % |

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. Information by geographic area can be found in Annex 1 Supplementary Information.

Subcontracted activities

EU17

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 "Description of Supply Chain" section 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 [contracting terms of the group](#), 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, with a total of 10,772,560 days worked, 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 and because they are considered material topics.

New hires

GRI 202 401-1

At Iberdrola, we believe that the talent of our organisation is a fundamental part of ensuring the success of the organisation each day. It is for this reason that we join forces from all countries to attract and select professionals with the skills, knowledge and abilities aligned with the current and future values and needs of the company. We thus work in the critical areas to achieve this goal: attraction of talent, recruitment and selection, as well as the orientation and integration of new professionals.

As a global company, we have specific policies approved by the Board of Directors that regulate the selection activity (*Recruitment and Selection Policy* and the *Equal Opportunity and Reconciliation Policy*), as well as a master recruitment and selection process that applies at the global level. We also rely on local practices in order to ensure that the best and most diverse pool of talent is attracted and selected in line with activities appropriate to each specific territory and legal system.

In 2018, Iberdrola took various actions in this area, including the following:

- Attending job forums and holding talks and conferences with students to share the value of our company with youth, encouraging them to participate in our selection processes. Numerous activities were attended at various prestigious universities in the countries where Iberdrola has a presence, reaching a target audience of approximately 18,000 students.
- Restructuring of all of the company's pages on professional social media, the purpose of which is to attract talent and promote the brand as an employer.
- Revision and automation of the selection and on-boarding process with the upcoming inclusion in 2019 of a new software tool (*Success Factors*) that will help to improve the experience of internal and external candidates, employees, hiring managers and human resources teams.
- Extraction of key data from the selection and on-boarding process to detect areas for improvement in each process. This information is shared with the local Human Resources teams each month so that they can make comparisons with the other countries and have a global view of each indicator.
- At Iberdrola España and ScottishPower, there is a training course for the hiring managers who participate in the selection process, providing training in four modules: the selection process, impartiality in the process, labour regulations and skills-based interviews. With this training, we

increase knowledge of the process and strengthen our policy whereby we always ensure the selection of the best candidate, always observing equality of opportunity and promoting non-discrimination.

- At Neoenergia, a feedback programme has been developed for professionals who participated in the process and have not been selected for the position in question, in order to improve for future candidates.
- Weekly email of vacancies published internally to the group of officers, department heads and team leaders to encourage mobility within the company, as well as for career development and personal and professional growth.

Actions to attract young talent

Especially noteworthy in this area is the Universities Program, *Iberdrola U*, which focuses its efforts on strengthening the relationship between the company and the academic world through a number of resources and activities aimed at attracting talent, transferring knowledge and contributing to our society.

Iberdrola has signed agreements for this purpose with major universities in the countries in which it has a presence.

- Massachusetts Institute of Technology (MIT) in the United States.
- Monterrey Technology Institute in Mexico.
- University of Strathclyde in the United Kingdom.
- Universidad Pontificia de Comillas and Universidad de Salamanca in Spain.
- Hamad bin Khalifa University in Qatar.

Iberdrola U currently reaches approximately 200,000 students, 20,000 professors and 1,500 scholarship fellows, and is based on five lines of action: support for university chairs, development of R&D projects, training through student scholarships, internal training of Iberdrola employees and support for young entrepreneurs.

Specifically, through the Young Entrepreneurs initiative, Iberdrola held 9 "hackathons" and "bootcamps" in 2017-2018 with the presence of 1,000 entrepreneurs and the help of more than 200 mentors. There were also 23 more workshops and more than 3,200 hours of mentoring were provided to the students.

There was also a continuation of the following projects:

- Training programmes at the company directed towards vocational students, as well as university students, in order to complete their education within the professional environment. In total, 544 vocational students and 858 university students throughout the world have had the opportunity to engage in training at Iberdrola Spain, ScottishPower, Avangrid, Neoenergia and Iberdrola Mexico.
- International scholarship programmes for master's studies, with which students obtain financial support to complete their studies. In 2018, Iberdrola granted 66 scholarships for Master's studies, with students from Brazil, Spain, Mexico, the United Kingdom and the United States having had the opportunity to study in different countries.
- Mentoring programmes for students from the Iberdrola scholarship programme, with which they can not only develop skills and abilities relevant to the professional area but also work towards their career goals.
- Continuation of the development plan of the junior professional program, in 2018 pursuant to which an extensive group of recent graduates were incorporated into different areas of the company in Mexico, Spain, the United Kingdom and the United States.

All of these scholarship programmes form part of the actions that Iberdrola has taken to attract young talent. The limited number of profiles make it difficult to achieve numerical equality with respect to gender in the hirings that occur in the industry. This is something on which Iberdrola is actively working, taking action at all of its subsidiaries to increase the attraction of women towards technical careers and thus increase the critical mass of available talent.

Finally, with a view to improving opportunities for internal selection, Iberdrola makes available to the group's professionals a unique employment channel, where each of them can view and apply to fill internal job vacancies that match their profile.

| New hires | 2018 | | 2017 | | 2016 | |
|------------------------------------|--------------|-------------|-------------|-------------|-------------|-------------|
| | Men | Women | Men | Women | Men | Women |
| By age, in numbers | | | | | | |
| Up to 30 years old | 1,351 | 377 | 1,012 | 295 | 962 | 281 |
| Between 31 and 50 years old | 1,235 | 328 | 1,353 | 318 | 771 | 290 |
| Over 50 years old | 87 | 35 | 189 | 43 | 108 | 22 |
| By age¹⁷, in % | | | | | | |
| Up to 30 years old | 32.15 | 32.04 | 26.39 | 27.09 | 24.90 | 25.66 |
| Between 31 and 50 years old | 8.44 | 6.72 | 9.65 | 6.50 | 5.68 | 5.83 |
| Over 50 years old | 1.19 | 1.84 | 2.26 | 2.10 | 1.27 | 1.06 |
| Total number | 2,673 | 740 | 2,554 | 656 | 1,841 | 593 |
| Total¹⁷ in % | 10.23 | 9.30 | 9.74 | 8.17 | 7.10 | 7.27 |

202-2

Iberdrola's approach is to promote and favour the hiring of employees in the geographic boundaries within which it does business, also encouraging these individuals to reach executive positions in the corresponding companies. In 2018, 98.85 % of executive officers at the companies of the group were local, defined as anyone with management responsibilities in the same geographic area as the one they come from, thus excluding professionals of other nationalities who are assigned there temporarily under an international mobility programme.

¹⁷ Of the headcount of this group at year end.

The management approaches described in the "Diversity and Equal Opportunity" and "Non-discrimination" sections of this report are applied to both remuneration as well as the selection of professionals. The current collective bargaining agreements at the companies of the Iberdrola group ensure equality in starting wages for men and women.

202-1

| Entry-level wage compared to legal minimum wage (%) | 2018 | 2017 | 2016 |
|---|--------|--------|--------|
| Spain | 136.54 | 140.72 | 150.63 |
| United Kingdom | 113.01 | 125.52 | 127.32 |
| United States | 146.00 | 125.00 | 137.50 |
| Brazil | 128.74 | 135.18 | N/Av. |
| Mexico ¹⁸ | 449.12 | 464.09 | 480.24 |

Average remuneration (base plus variable salary) by age groups and gender

| Iberdrola (EUR) ¹⁹ | Remuneration men/ Remuneration women | | Men | | Women | | Total | |
|-------------------------------|---|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Up to 30 years old | 92.7 | 98.0 | 22,208 | 25,076 | 23,953 | 25,579 | 22,591 | 25,188 |
| Between 31 and 50 years old | 89.1 | 94.5 | 42,685 | 46,569 | 47,882 | 49,299 | 43,991 | 47,287 |
| More than 50 years old | 111.0 | 110.2 | 67,787 | 68,259 | 61,064 | 61,914 | 66,378 | 66,973 |
| Total | 97.3 | 100.9 | 45,990 | 49,089 | 47,278 | 48,639 | 46,293 | 48,983 |

Average remuneration (base plus variable salary) by professional category

| Iberdrola (EUR) ¹⁹ | Total | | |
|---|---------------|---------------|---------------|
| | 2018 | 2017 | 2016 |
| Management team ²⁰ | 119,185 | 124,675 | 123,497 |
| Middle managers and skilled technicians | 53,798 | 56,009 | 55,304 |
| Skilled workers and support personnel | 32,008 | 34,617 | 34,233 |
| Total | 46,293 | 48,983 | 49,360 |

18 In Mexico, the minimum wage is generally not used as a reference for market wages; it is applied in sanctions by the labour authority, fines and limits on tax deductibility.

19 Companies included: Iberdrola S.A., subsidiaries of: Iberdrola Spain, ScottishPower, Avangrid, Neenergia and Iberdrola Mexico.

20 The management team includes up to the level of team leaders.

As regards the on-boarding and integration of new professionals, the new global on-boarding programme has been launched for a group of professionals who recently joined the company in Spain, the United Kingdom, the United States, Brazil and Mexico. This new programme is intended not only to facilitate their on-boarding and inclusion into the company, but also to strengthen their professional development. A new virtual itinerary has been created within this programme in "Landing Page" format which includes all elements that a new employee needs to land at Iberdrola. It has an orientation video, general information about Iberdrola, general courses on the energy business and specific courses on compliance, human rights, social responsibility and cybersecurity, among other topics. This bundling of orientation training is completed with other resources like a new section of the employee portal and a guide for managers.

Employee turnover

| Personnel leaving the company ²¹ | 2018 | | 2017 | | 2016 | |
|---|--------------|--------------|--------------|-------------|--------------|-------------|
| | Men | Women | Men | Women | Men | Women |
| By age, in numbers | | | | | | |
| Up to 30 years old | 293 | 117 | 242 | 113 | 254 | 106 |
| Between 31 and 50 years old | 839 | 317 | 638 | 288 | 614 | 242 |
| Over 50 years old | 1,694 | 382 | 1,072 | 336 | 1,063 | 216 |
| By age²², in % | | | | | | |
| Up to 30 years old | 6.97 | 9.94 | 6.31 | 10.38 | 6.58 | 9.68 |
| Between 31 and 50 years old | 5.73 | 6.50 | 4.55 | 5.88 | 4.53 | 4.86 |
| Over 50 years old | 23.27 | 20.04 | 12.80 | 16.45 | 12.50 | 10.36 |
| By seniority, in numbers | | | | | | |
| Up to 10 years | 925 | 320 | 810 | 308 | 766 | 293 |
| Between 11 and 20 years | 386 | 165 | 222 | 167 | 245 | 98 |
| Over 20 years | 1,515 | 331 | 920 | 262 | 920 | 173 |
| By seniority²², in % | | | | | | |
| Up to 10 years | 7.59 | 8.06 | 6.18 | 7.18 | 6.12 | 7.37 |
| Between 11 and 20 years | 6.85 | 7.66 | 3.93 | 4.16 | 3.92 | 4.11 |
| Over 20 years | 18.28 | 18.01 | 12.32 | 10.90 | 11.20 | 9.64 |
| Total number | 2,826 | 816 | 1,952 | 737 | 1,931 | 564 |
| Total²² in % | 10.82 | 10.25 | 7.44 | 9.18 | 7.45 | 6.91 |

²¹ Information by geographic area can be found in Annex 1 Supplementary Information.

²² Of the headcount of this group at year end.

| Turnover at the company ²³ | 2018 | |
|--|-------------|-------------|
| | Men | Women |
| By age, in numbers | | |
| Up to 30 years old | 93 | 24 |
| Between 31 and 50 years old | 270 | 74 |
| Over 50 years old | 309 | 70 |
| By age²⁴, in % | | |
| Up to 30 years old | 2.21 | 2.04 |
| Between 31 and 50 years old | 1.84 | 1.52 |
| Over 50 years old | 4.24 | 3.67 |
| By seniority, in numbers | | |
| Up to 10 years | 248 | 70 |
| Between 11 and 20 years | 46 | 17 |
| Over 20 years | 378 | 81 |
| By seniority²⁴, in % | | |
| Up to 10 years | 2.03 | 1.76 |
| Between 11 and 20 years | 0.82 | 0.69 |
| Over 20 years | 4.55 | 4.41 |
| Total number | 672 | 168 |
| Total²⁴ in % | 2.57 | 2.11 |

| Average seniority of workforce (years) 2018 | Men | Women | Total |
|---|--------------|--------------|--------------|
| Spain | 20.60 | 15.81 | 19.64 |
| United Kingdom | 16.54 | 14.65 | 15.90 |
| United States | 14.16 | 13.84 | 14.07 |
| Brazil | 7.90 | 7.27 | 7.78 |
| Mexico | 6.39 | 4.56 | 6.05 |
| Other countries | 6.65 | 5.51 | 6.32 |
| Iberdrola total | 13.99 | 12.57 | 13.66 |

International mobility programmes

The Iberdrola group's global mobility programmes form part of the set of human resources tools that contribute to the development of talent, transmitting and strengthening the culture of the group and offering opportunities for professional growth in an international environment that attracts, motivates and retains the professionals who will ensure the sustainability of the business.

In 2018 these programmes were redefined to promote the creation of a global community of talent that contributes to attaining the group's objectives, to transmit and strengthen the company's culture and to offer opportunities for professional growth that attract, motivate and retain the professionals who will ensure the sustainability of our business. During the year, 425 employees participated in the group's international mobility programmes in their various forms.

2018 also saw the continuation of the *Job Swap Opportunity Program*, which seeks to facilitate development opportunities for the group's professionals, allowing them to face new professional challenges and responsibilities, thus increasing their global view and knowledge of the business, as well

²³ Information by geographic area can be found in Annex 1 Supplementary Information.

²⁴ Of the headcount of this group at year end.

as generating more versatile profiles and strengthening mobility and internal communication. Through this programme, two employees have the opportunity to temporarily swap their positions for a period of 9 to 12 months, whether within the same organisation, within the same business, between business and corporate area or between different countries. In addition to continuing the *Job Swaps* programme initiated in 2017, 7 employees participated in this initiative at the global level during 2018.

Furthermore, in order to favour opportunities for internal promotion and international mobility, in 2018 there was continued use of the unique employment channel mentioned above, with the publication of 3,337 vacancies, 70 % of which were filled internally.

Under the new homogeneity objectives in the Human Resources model, the management team of Iberdrola and its subsidiaries totals 783 people at year-end 2018, with a voluntary turnover rate of 1.75 %.

Stable labour environment. Commitment to quality employment

Collective bargaining agreements

102-41

To properly frame labour relations, the companies of the Iberdrola group have collective bargaining agreements or specific equivalent agreements to govern aspects relating to the management of people.

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 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 | 2018 | 2017 | 2016 |
|--|--------|--------|--------|
| Number of employees | 26,900 | 26,643 | 27,010 |
| Percentage of employees | 78.94 | 77.78 | 79.25 |

In the companies of the group there are 2 collective bargaining agreements in Spain, 3 in the United Kingdom, 12 in the United States, 11 in Brazil, 3 in Mexico, and 1 in the other countries. A breakdown by geographic area is available in Annex 1 Supplementary Information.

These agreements 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 Forum*, update meetings, safety expert panels, Strategic Safety Board and the *Joint Union Management Partnership Committee* in the United States, which serve to regulate labour, safety and health, and pension issues and consult with employees and with representatives on social matters within the company, as well as to ensure compliance with commitments made.

402-1

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 the companies of the group. 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, unions, etc.

- In Spain, organisational changes are governed by both the *Workers Statute* and by the collective bargaining agreements, and generally provide for a period of at least 15 days.
- In the United Kingdom, when a significant event occurs, interested parties are notified within a minimum period of 4 weeks, as provided by law as well as the collective bargaining agreements.
- In the United States, notice requirements are governed both by collective bargaining agreements and labour laws. When organisational change or significant events occur that may impact union employees, union leaders are routinely provided with advance notice.
- In Brazil, organisational changes at Elektro are governed by the collective bargaining agreement, which provides guidelines on how these changes should occur, always with prior notice to the union institutions. The deadline is defined by the area itself, depending on the type of operational change.
- In Mexico, significant operations are reflected in the collective bargaining agreements and notice is provided an average of two to three months in advance.

Benefits

401-2

Iberdrola offers a set of benefits to its employees, including:

- Life insurance
- Medical insurance
- Disability insurance
- Maternity/paternity leave
- Pension fund
- Remuneration in the form of company shares

Information by geographic area can be found in Annex 1 Supplementary Information.

For employees of companies party to the *7th Collective Bargaining Agreement* in Spain, ScottishPower, Avangrid, Neoenergia and Iberdrola Mexico, which represent 98 % of the workforce, there are no significant differences between benefits provided to part-time employees and benefits provided to full-time employees.

201-3

The features of the contributions to pension plans at the various countries of the group are described below by country:

Spain

The companies signing the *7th Collective Bargaining Agreement* jointly sponsor a voluntary employee pension plan in which 98 % of the workforce participates. The periodic contributions made under said Collective Bargaining Agreement are 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.

United Kingdom

98 % of the workforce participate in the pension plans of the workforce in one form or another:

- The defined-benefit plan has two pension plan structures, based on company and seniority.
- 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.

United States

- The Networks Business has twelve defined-benefit plans, for which the company makes the contribution, with benefits being based on salary and years of service. It also has defined-contribution plans with distinct and separate operations. Employees can make contributions as a percentage of their pre-tax salary (generally up to 50 %). Approximately 90 % of the workforce are members of these defined-contribution plans.
- 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. 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 are members of these defined-contribution plans.

Brazil

After the integration of all of the businesses of the company Elektro Holding into Neoenergia on 24 August 2017, the pension plan scheme is as follows:

- At Elektro, the Networks Business has a defined-benefit plan and a mixed plan (70 % of salary as defined benefit and 30 % as defined contribution). 83 % of the workforce are members of both plans. For the companies of Elektro Holding, a defined-contribution plan was implemented by means of which employees may make contributions as a percentage of their salary, with the business contributing the same amount.
- The distributors Coelba, Celpe and Cosern have various defined-benefit plans and defined-contribution plans. 99 % of the workforce are members of both plans.

Mexico

The commitments to the organised employees of Iberdrola Mexico, arising from the auctions by the Federal Electricity Commission, in which Iberdrola is required to apply a Collective Labour Agreement for organised staff, are provisioned as internal funds. A defined-contribution pension plan was implemented in 2015, with 60 % of the non-organised workforce with pension plan rights signing up.

EU15

| Employees eligible to retire | In the next 5 years (%) | | | In the next 10 years (%) | | |
|------------------------------|-------------------------|-------|-------|--------------------------|-------|-------|
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Iberdrola total | 12.59 | 16.21 | 12.04 | 21.70 | 27.60 | 25.30 |

A breakdown by professional category and region can be found in Annex 1 Supplementary Information.

II.2. Workplace Health & Safety and Personal Development

- A safe work environment
- Professional training and development
- Diversity and equal opportunity



Main priorities of the SR Plan

- Sustainable economic growth
- Workplace health & safety and personal development ✓
- Fight against climate change and protecting biodiversity
- Innovation, digitalization and quality for our customers
- Contributing to the wellbeing of our communities
- Good governance, transparency and stakeholder engagement
- Promoting CSR in the supply chain

A safe work environment

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



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Policies and commitments

The *Occupational Safety and Health Policy*, approved by the Board of Directors in 2007 and last amended in October 2018, describes the principles that should guide the behaviour of the group's companies in this area.

To reduce the number of accidents and improve workplace safety conditions, apart from this policy, Iberdrola also has a Global Occupational Safety and Health System, which is aligned with corporate policy and the strictest of international standards and incorporates the group's best practices from all of the countries where it has a presence.

This Global Occupational Safety and Health System is the group's tool for continuous 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, the System is based on the principle 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.

Our 5 Health & Safety Essentials...

We follow our processes, rules and procedures

Health & Safety rules are based on our experience and legal requirements compliance with them is everyone's responsibility.
 It makes sense to follow them and don't be afraid to challenge unsafe practices.
 No one should get injured following safe procedures.

We promote health and wellbeing, in and outside work

Know the health risks we may be exposed to at work and ensure that we are aware of the controls in place that help protect us.
 Don't ever come to work under the influence of drugs and alcohol.
 Healthy behaviours help us stay fit for life and fit for work

We only undertake work we are competent to do

Know the risks, know your limits and maintain your competence.
 Take responsibility - before you start work - make sure you are able to carry it out safely.
 Only undertake work you are authorised to do.

We look out for each other and work as a team

We will always look out for each other and work towards the same objective - going home safely.
 Understand your own responsibilities within the team and listen to each other's concerns.
 Silence is consent - always constructively challenge unsafe behaviours and decisions.

We think before we act - assess and control the risks

Take 5 before you act - be aware of your situation and surroundings.
 Assess and understand risks, implement and comply with controls.
 If it looks or feels unsafe it probably is!

The health and safety requirements established for the workforce are set forth in the collective bargaining agreement of each company (when applicable), 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 terms, which can be found in the [contracting terms of the group](#) section of the website, specify the requirements to be met by firms wishing to participate in an award 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.

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The company thus believes that 100 % of the employees of subcontracted companies, regardless of their category, have received appropriate safety and hygiene training.

By way of example, the following are some of the safety and health requirements specified in the contracting terms that apply in all countries of the group:

- 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.
- 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.

Certifications

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, Brazil²⁵, Mexico, Portugal, Greece, Hungary and Romania have OHSAS 18001 certification.
- In the United States, in 2018 UIL and Avangrid Renewables subsidiaries joined in the OHSAS 18001 certification already existing at Avangrid Networks since 2016.

Objectives

For financial year 2018, safety and health goals have been established for the entire group, as well as by country and by business, based on the improvement of accident rates, for both its own and contracted personnel, 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.

Responsibilities

The main responsibility for taking preventive action lies with the company, and therefore, with 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 most countries.

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.

There was a strengthening in 2018 of the Global Health and Safety team, under the Human Resources Area, with the following duties:

- Exchange of good practices among all countries.
- Participation and leadership in the Distribution, Wholesale and Renewables GPGs.
- "*Global H&S Assessments*" programme (internal audits based on Iberdrola's health and safety standards) in all countries.
- Launch of the "*5 essentials of safety*" campaign at the global level.
- Work with new Offshore Health and Safety team to establish the prevention management system.
- Subcontractors: Prepare and agree on "*Pre-qualification and Post-evaluation Procedure*" among the Health and Safety, Procurement and Businesses departments at the global level.
- Launch and management of "*Global Practice Groups*".

²⁵ Neoenergia has a Safety and Health Management System that defines work procedures and instructions, which is available on its intranet. Elektro and the Wholesale and Retail and Renewables Businesses are certified under OHSAS18001. For companies included within Iberdrola's ownership for purposes of the Management System, Neoenergia plans to obtain OHSAS18001/ISO45001 Certification for the distributor Cosern by 2019, for the distributor Celpe by 2020 and for the distributor Coelba by 2021.

Occupational safety and health committees

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All 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. The committees are described below by country:

Spain

In Spain, the companies that are signatories of the *7th Collective Bargaining Agreement* have a central committee that coordinates the activities of the thirty-seven local safety and health committees to which all work centres and administrative units are assigned. All were created in accordance with the Occupational Risk Prevention Act and are formed with equal representation between the company and the workers. These committees regularly consult with the workers' representatives on all safety and health issues that affect them.

In 2018, the committees met on a quarterly basis and were the most important consultation and participation control bodies in the area of occupational risk prevention, as well as the forum where formal agreements on the matter were reached with the trade unions.

The Prevention Coordination Committees are responsible for the definition, promotion, coordination, monitoring and control of policies, standards, plans and activities in the area of occupational health and safety, among their management levels, hierarchical/functional organisation and the Prevention Service.

United Kingdom

At ScottishPower, a Health and Safety Committee is responsible for the strategy, the guidelines and management in this area. It is made up of members of each one of the management teams of the businesses and of the health and safety team, and meets quarterly. The committee is supported by the officers of each business, the Health and Safety Department and the Health and Safety Forums. The forums meet regularly and are made up of employees representing each of the businesses, members of the Health and Safety Department and worker representatives.

United States

There are various levels of safety committees representing 100 % of the employees at Avangrid. The Health and Safety Committee is made up of the CEO and other officers and meets regularly to review strategic issues, performance and initiatives. At the Networks Business, the Executive Safety Committee and the Strategic Safety Board, along with the Safety Panels (committees made up of employees and safety experts) and the employee safety teams, review risk-related work and the safety activities that have been undertaken. Worker representatives and executives are also involved through their participation in the committees and safety meetings. At the Renewables Business, safety is reviewed regularly at the meeting of the executive committee and at the Central Committee with representatives of all the renewables plants to review the status of health and the achievement of the safety objectives in all regions.

During the pre-qualification project, all contractors of Avangrid are asked questions regarding the participation of their employees in health and safety committees and meetings. 74 % of the high-risk contractors involved in operation and construction activities have Health and Safety committees, and 93 % of the contractors have documented the safety meetings of their employees.

In the United States, leadership in health and safety has been strengthened with the following initiatives:

- Cintellate (accident management tool) implemented at Avangrid.
- Safety training for particular positions of responsibility at the company ("*HOP*" and "*Leadership Training*").
- *Risk Reduction Plans*.

Brazil

Neoenergia has a Health and Safety Management System that defines work procedures and instructions, which is available on its intranet. All of the businesses are certified under OHSAS18001, except for the companies included within Iberdrola's ownership for purposes of the Management System, which is planned to be certified under OHSAS18001/ISO45001 by 2019 in the case of Cosern, 2020 for Celpe and 2021 for Coelba.

To ensure the evolution of a safety culture, the companies have a Safety Committee made up of the group's management team to join in strategic health and safety actions, which ensures the effectiveness of the activities and the communication of risk prevention actions as a value that informs all of its activities.

Apart from the seven local committees by business and company, the companies have more than 92 internal committees for the prevention of accidents, the latter of which are made up 50 % of company representatives and 50 % of worker representatives.

A "Zero Accident Plan" was implemented at Neoenergia in 2018, with the following lines of action:

- Improve the evaluation, supervision and monitoring of contractors.
- In-source key maintenance personnel.
- Strengthen the Occupational Risk Prevention leadership and culture.
- Improve training of internal staff on Occupational Risk Prevention.
- Strengthen operational procedures (operations in the electric system).
- Creation of internal procedure for giving notice of these improprieties to the government authorities
 - intensify record-keeping.
- Intensify public awareness campaigns.
- Investment to maintain and improve the grids (protection, insulation, etc.).

The number of fatal accidents among contractors in 2018 was considerably reduced in Brazil as a result of this programme.

Mexico

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. Organised workers have a collective bargaining agreement that deals with safety issues like EPIs, safety organisation, worker representation, handling of accidents and professional diseases, application of health and safety law, etc.

Other countries

In other countries the Renewables Business has safety management systems duly certified under OHSAS 18.001:2007, there are committees with the participation of the company and employees that deal with occurrences in the area of health and safety at the end of each month and reporting on noteworthy activities and plans for future actions.

The implementation of a prevention management system is commencing in the other countries of the Wholesale and Retail Business.

| In-house staff represented on health and safety committees (%) | 2018 | 2017 | 2016 |
|--|-------|---------------------|-------|
| Iberdrola total | 98.61 | 98.53 ²⁶ | 95.70 |

²⁶ In Mexico, there has been a recalculation of the data from 2016 and 2017, including the Renewables and Engineering businesses.

At contractors²⁷, 46 % of the staff are represented on safety and health committees. Information by geographic area can be found in Annex 1 Supplementary Information.

Injury and absenteeism rates

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| Injury rate among group personnel ²⁸ | 2018 | 2017 | 2016 |
|---|--------------|---------------------------|--------------|
| Number of accidents | 399 | 455 | 472 |
| Men | 363 | 376 | 407 |
| Women | 36 | 79 | 65 |
| With fatality | 0 | 0 | 0 |
| Men | 0 | 0 | 0 |
| Women | 0 | 0 | 0 |
| With leave | 80 | 104 | 108 |
| Men | 75 | 101 | 96 |
| Women | 5 | 3 | 12 |
| Without leave | 319 | 341 | 364 |
| Men | 288 | 265 | 311 |
| Women | 31 | 76 | 53 |
| Number of fatalities | 0 | 0 | 0 |
| Men | 0 | 0 | 0 |
| Women | 0 | 0 | 0 |
| Number of lost days | 3,929 | 4,374²⁹ | 2,877 |
| Men | 3,806 | 4,318 | 2,534 |
| Women | 123 | 56 | 343 |
| Injury rate (IR) | 1.37 | 1.75 | 1.82 |
| Men | 2.26 | 2.20 | 2.12 |
| Women | 0.21 | 0.22 | 0.84 |
| Severity index | 0.07 | 0.07 | 0.05 |
| Men | 0.12 | 0.09 | 0.06 |
| Women | 0.01 | 0.00 | 0.02 |

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| Absenteeism among group personnel ³⁰ | 2018 | 2017 | 2016 |
|---|------------------------------|----------------|----------------|
| Number of missed days per year | 13,981 | 11,447 | 15,734 |
| Men | 9,371 | 7,420 | 10,217 |
| Women | 4,610 | 4,027 | 5,517 |
| Number of lost days | 166,561 | 189,025 | 199,665 |
| Men | 109,612 | 125,955 | 130,461 |
| Women | 56,939 | 63,070 | 69,204 |
| Number of lost hours | 1,663,424 | N/Av. | N/Av. |
| Men | 1,109,664 | N/Av. | N/Av. |
| Women | 553,760 | N/Av. | N/Av. |
| Absenteeism rate (AR) | 4,615.21³¹ | N/Av. | N/Av. |

Information is provided by geographic area in Annex 1 Supplementary Information.

²⁷ Does not include the United Kingdom, which will be included in the analysis in future years.

²⁸ Methodology for calculating the indicators:

- Injury rate (IR) = (number of accidents with leave*1,000,000)/hours worked.

- Severity index = (number of calendar days lost per accident, as from first day of leave/hours worked)*1,000.

²⁹ In 2017 there was a lower number of accidents with leave but a higher mayor number of lost days.

³⁰ Absenteeism rate (AR) = (missed days due to absenteeism, as from first day of leave/days worked)*200,000.

³¹ The data for Spain and Mexico has been recalculated due to a change in methodology, the information for 2016 and 2017 cannot be recalculated due to a lack of data. Therefore, the information for Spain, Mexico and Iberdrola total is not comparable.

The table below shows the accident and absenteeism rates of subcontracted employees:

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| Injuries and absenteeism among subcontracted personnel | 2018 | 2017 | 2016 |
|--|--------------|---------------|-------------------------|
| Number of accidents | 570 | 631 | 438 |
| Men | 549 | 614 | N/Av. |
| Women | 21 | 17 | N/Av. |
| With fatality | 3 | 13 | 4 |
| Men | 3 | 13 | N/Av. |
| Women | 0 | 0 | N/Av. |
| With leave | 174 | 309 | 268 |
| Men | 171 | 307 | N/Av. |
| Women | 3 | 2 | N/Av. |
| Without leave | 396 | 309 | 166³² |
| Men | 378 | 294 | N/Av. |
| Women | 18 | 15 | N/Av. |
| Number of fatalities | 3 | 13 | 4 |
| Men | 3 | 13 | N/Av. |
| Women | 0 | 0 | N/Av. |
| Number of lost days | 9,661 | 11,927 | 10,194 |
| Injury rate (IR)³³ | 1.72 | 3.10 | 2.70 |

As mentioned previously in this section, the number of fatal accidents among contractors in 2018 was considerably reduced in Brazil as a result of the implementation of the Zero Accident Plan at Neoenergia.

Management of health and safety is organised in accordance with the guidelines set out in the OHSAS 18001 standard, as described in the management approach for this section, ensuring that the group has monitoring and evaluation mechanisms in all operations that go beyond legal requirements.

Occupational diseases

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.

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| Occupational disease rate (ODR) among own personnel ³⁴ | 2018 | 2017 | 2016 |
|---|-------------|-------------|-------------|
| Men | 0.01 | 0.03 | 0.00 |
| Women | 0.00 | 0.00 | 0.03 |
| Total | 0.01 | 0.02 | 0.01 |

³² Does not contain information from Neoenergia.

³³ Injury rate (IR) = (number of accidents with leave*1,000,000)/hours worked.

³⁴ Methodology for calculating the indicators (per GRI standard):

- Occupational disease rate (ODR) = (number of occupational disease cases/hours worked)*200,000.

Professional training and development

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



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Policies and commitments

Iberdrola recognises the importance of intellectual capital to the company in its *Knowledge Management Policy*. 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.

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 programmes to equip Iberdrola'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 activities

Iberdrola's commitments to the training and development of its professionals extend to all professional categories, all levels of responsibility, and without distinction as to gender.

In 2018 we launched various global initiatives in the training management area:

- Definition of a global master process for training management in order to harmonise this management among all countries.
- Launch of a unique global learning and development portal, called Learning Meeting Point (LMP), so that employees can directly access all of these virtual training and development tools.
- Availability to employees of a new area with many freely accessible self-study resources in virtual format.
- Recognition of international mobility programmes as an instrument favouring the exchange of experience and knowledge, professional development, the firm establishment of a group culture, and employee retention.

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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.

All of Iberdrola's training and development activities are based on the 70/20/10 learning model. This model is supported by the theory that 70 % of a professional's learning comes from experience and on-the-job training, 20 % is acquired through conversations with other people and evaluations, and only 10 % comes from structured courses and programmes.

Other significant training and development activities during the year:

- The Iberdrola Campus has hosted numerous courses and development programmes in all knowledge areas and for all Iberdrola groups. It has also been the location of a large number of corporate events. These facilities have become a leading training centre for the company, and work is progressing on the second phase of the project.
- There has been a continuation of the language programmes, offering Spanish, English and Portuguese classes to employees from the different countries.
- Global initiatives relating to virtual training include the launch of the following courses for all employees: "Equality at Iberdrola", "Campaign against Cancer", "New European Data Protection Regulation (GDPR)", "Human Rights at Iberdrola", "Procurement Policy and Procedure", training seminars within "TEAMS (digital platform for collaborative work)", training seminars on "Climate Change", and training seminars on our *Code of Ethics*, among others.
- Iberdrola has various programmes aimed at those who have been identified as high-potential professionals, 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, Brazil and Mexico. In 2018 the third promotion successfully ended the second year of the programme and the selection process has been carried out for the fourth promotion, which will begin in January 2019.
- For technicians and middle managers, Iberdrola has a global skills-based development model implemented through a process that permits the formation of Personal Development Plans (PDPs) for these professionals. Through various development resources such as on-site activities, workshops, online resources or jobsite actions, the programme allows employees to work in annual periods on the development of their professional skills. Although each country locally adjusts to offer the development plans defined in the PDPs, it is important to note that the SAVIA programme (the programme in which the PDP process takes shape in Spain) celebrated its 10th year in 2018, coinciding with its fourth edition.

In addition to the resources available in the skills-based development model, Iberdrola continued offering specific skills development programmes in 2018 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.

- Within the global process of evaluating leadership skills and identifying employee potential, there was a new analysis of the group in 2018. In this analysis, there has been another review of the group of talent to categorise the career plans of the high-potential group, the management group and the technical group. Another new development in 2018 was the definition of promotion goals, internal movement, job swaps and international mobility for the high-potential group, focusing not only on identifying this group, but also offering them challenges, and generating opportunities for learning through exposure to new experiences. In the area of talent management, there have been development meetings with professionals in the various countries in which Iberdrola has a presence

in order to improve knowledge about their skills, interests, professional aspirations and development needs, all in order to determine the development activities to be carried out with each of them.

- The development activities include offering external Coaching to various professionals in Spain, the United Kingdom and the United States.
- There has been a continued application of mentoring within the two existing global programs, the *Early Career Global Program (ECGP)*, which is intended to help with the adjustment and integration of junior professionals from the United States, Mexico, Brazil and the United Kingdom to their new responsibilities in Spain, as well as to strengthen their professional development with the support of an internal mentor from the company, and the "50 Hires" programme. The scholarship students in our International Master's Scholarship Program were also included in our mentoring programme in 2018.
- There has been work to consolidate a programme for new team managers in order to strengthen the abilities and skills required in the management of teams of these professionals in the first stages of their career. This programme has been globally designed but followed a local implementation in order to adapt it to the needs of each of the countries. It thus has different names based on the country involved: "DINAMO" in Spain, "Leadership Fundamentals programme" in the United Kingdom, "AMP'D Leading People" in the United States, "Lidera" in Brazil and "Liber" in Mexico. All of them have a modular structure combining different development resources such as visits to facilities, workshops and online resources, as well as jobsite activities.

2018 saw the continuation of various working sessions, mainly with ScottishPower, Avangrid, Neoenergia and Iberdrola Mexico, primarily in order to exchange knowledge, information and experience in the training and development areas. Along these lines, the Annual Development Meeting of the Executives and Talent area was held at the Iberdrola Campus in San Agustín de Guadalix (Madrid) in 2018.

Training for executives

The Executive Management and Talent Unit worked during 2018 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 2018:

- *Energising Leadership Programme*, taught by ESADE Business School. Geared towards management trainees with high potential and/or executives who are beginning their careers. 2018 saw the 10th anniversary of the design and administration of this well-established programme in the catalogue of the Management School.
- *Leading in the Age of Disruption*, given by Financial Times – Instituto de Empresa CLA. This programme, held for the first time in 2018, allowed participants to be able to understand the context in which they are operating, how it affects the reality of the company, their environment and individual reality, and to discover what new skills they need as leaders to succeed in this new context.
- *Driving Leadership Transformation Programme*, jointly taught by IESE and IMD Business School. This programme is directed towards established executives who have a track record with the group and who have already taken the Global Leadership Programme. The main goal is to complete and strengthen previously-acquired knowledge.
- All countries have continued to provide various executive development programmes at the local level.
- Various executives from Spain, United Kingdom and the United States participated in their respective local coaching programmes.
- ScottishPower is readjusting its training and development catalogue for executives in accordance with the needs detected in the Climate Survey.
- Avangrid signed an agreement with Yale University to offer up to ten places in open executive development programmes.

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| Employees and hours of training by professional category and gender | 2018 | | 2017 | | 2016 | |
|---|------------------|----------------|------------------|----------------|------------------|----------------|
| | Men | Women | Men | Women | Men | Women |
| Hours of training | | | | | | |
| Management team | 19,504 | 5,871 | 21,477 | 5,225 | 19,734 | 4,766 |
| Middle managers and skilled technicians | 371,927 | 164,251 | 355,838 | 132,073 | 440,544 | 129,480 |
| Skilled workers and support personnel | 914,036 | 112,077 | 895,808 | 96,690 | 649,260 | 121,210 |
| Total | 1,305,467 | 282,199 | 1,273,123 | 233,988 | 1,109,538 | 255,456 |
| Average hours of training per employee | | | | | | |
| Management team | 29.15 | 34.73 | 18.06 | 28.09 | 33.62 | 35.83 |
| Middle managers and skilled technicians | 36.71 | 35.54 | 33.55 | 26.96 | 40.46 | 33.22 |
| Skilled workers and support personnel | 56.49 | 33.74 | 56.16 | 30.16 | 51.92 | 55.40 |
| Average | 48.38 | 34.78 | 48.54 | 29.16 | 42.79 | 31.32 |

The differences between men and women are a result of the different specific training for the diverse professional profiles of the workforce, and are not due to discriminatory policy. Information by geographic area can be found in Annex 1 Supplementary Information.

Labour climate survey 2018

The Global Human Resources Division carried out a process of designing and unifying the commitment surveys of all the countries of the group in 2018, thus generating a single more effective model, since a single survey for the entire group allows for the sharing of results among countries, the plotting of action plans and the adoption of best global practices. The five countries participated in the design, with the support of an outside consultant.

The global surveys were gradually launched in the various countries from February to April 2018. There was an extensive communication campaign that was widely accepted, as 78 % of the employees invited to participate answered the survey (25,744 of 32,981 invited employees). This high level of participation allowed for subsequent work with a very reliable database. The survey is 100 % confidential, ensuring the anonymity of the respondents at all times.

Communication of the results to team leaders has increased their knowledge of their teams and of their management work. These results have led to the development of action plans to strengthen the more highly valued areas.

Employees receiving performance and career development reviews

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As stated in Iberdrola's *Human Resources Framework Policy*, employee performance evaluations and communication of the results thereof are considered to be fundamental aspects of their professional development. Some of the basic principles of conduct relating to this aspect described in said policy are:

- Perform periodic evaluations of the performance of the employees of the group.
- Communicate the results thereof to the employees evaluated so as to favour their professional development.

At the Iberdrola group, employees are included in formal performance review processes, which vary based on the internal level of the employees and their corresponding responsibility, as well as the country in which they are located.

Employees can be reviewed through two types of processes, based on the level of responsibility relating to their position:

Executive officers:

- Goals review ("What"): measurable, quantifiable and specific goals to be achieved over the course of the review period, relating to the goals of the company.
- Performance review ("How"): review of conduct during the achievement of the goals.

Employees who are not part of the management team:

- Performance review ("How"): employees are reviewed on the basis of a number of personal competencies.

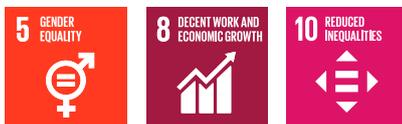
These processes are based on a corporate SAP-based tool that allows management of the Human Resources processes relating to the review. In this way, all users involved in such processes (employee, evaluator and Human Resources team) can work in real time and globally. However, the main advantage of this tool is that it allows for the global handling of all participants, unifying the focus and applicable standards.

| Employees with performance reviews (%) | | | |
|---|--------------|--------------|--------------|
| | 2018 | 2017 | 2016 |
| Men (%) | 80.70 | 83.58 | 85.13 |
| Management team | 89.41 | 94.57 | 97.11 |
| Middle managers and skilled technicians | 93.21 | 96.20 | 98.23 |
| Skilled workers and support personnel | 72.64 | 74.91 | 73.13 |
| Women (%) | 83.28 | 86.00 | 86.18 |
| Management team | 85.22 | 90.10 | 98.14 |
| Middle managers and skilled technicians | 91.82 | 95.23 | 94.31 |
| Skilled workers and support personnel | 71.25 | 72.15 | 72.95 |
| Iberdrola average | 81.30 | 84.15 | 85.38 |

Information by geographic area can be found in Annex 1 Supplementary Information.

Diversity and equal opportunity

Contribution to SDGs of the performance described by the indicators of this section
(according to SDG Compass www.sdgcompass.org)



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The development of labour relations based on equal opportunity, non-discrimination and respect for diversity are key goals of Iberdrola's *Human Resources Framework Policy* and *Equal Opportunity and Reconciliation Policy* approved by the Board of Directors, which promote the commitments of equal treatment between men and women and support for employees with diverse abilities, promoting their effective employment.

Diversity and inclusion: sum of cultures and talents

At Iberdrola, we work for cultural diversity and we take actions to raise awareness about functional diversity. The companies of the group are committed to the creation of an inclusive environment because each person can contribute their attributes, which entails great wealth. Thus, in the various countries in which it operates, the company promotes equal opportunity and respect diversity, effective equality between men and women in access to employment, training, promotion and working conditions, and provides support to workers with diverse abilities, facilitating their integration into the workplace.

Iberdrola has procedures in place to prevent any discrimination for reasons of race, colour, gender, language, religion, political opinion, national or social origin, social status, membership in an indigenous community, disability, health, marital status, pregnancy, sexual orientation or other personal condition that is unrelated to job-performance requirements.

The following specific activities should be noted:

- In the United Kingdom, ScottishPower has created 4 new employee networks: SP Connected Women, In-Fuse LGBT+, Future Connections and SP Carers, each of them sponsored by a representative of the ScottishPower Management Committee. ScottishPower has also continued its collaboration with well-known entities such as Employers Network for Equality & Inclusion, Equate, Working Families, ENABLE, POWERful Women, Stonewall and Carer USA. The British subsidiary has once again sponsored the *National Diversity Conference of Scotland*, which brought together representatives from the business and educational world, as well as NGOs, in order to share ideas regarding diversity and encourage the organisations to create a more inclusive and diverse environment. At the conference, ScottishPower and other attendees offered some of their more positive experiences in this area. During the year, ScottishPower has offered workshops directed towards a group of senior leaders in order to define and spread awareness of the Diversity and Inclusion Strategy for 2019 and 2020.
- In the United States, Avangrid has continued its collaboration with various initiatives supporting diversity, like Troops to Energy jobs to foster the inclusion of veterans in the workforce; and it forms part of a consortium, along with other services companies, to discuss good practices to achieve this goal.
- As regards diversity in Spain, 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.

Gender equality

Iberdrola's Corporate Governance System articulates the company's firm commitment to equal opportunities, from which derives the commitment to gender equality in four management areas: recruitment and selection, salary terms, professional training and development, and communication. Six areas of action are specified:

- Promote equality within and outside of Iberdrola.
- Analyse positive measures to correct inequalities.
- Ensure that women participate in all areas of consultation and decision-making.
- Eliminate career obstacles for women.
- Favour the professional development of women within the group.
- Encourage measures of reconciliation and flexibility under the perspective of gender parity.

Iberdrola has taken on the targets of SDG 5 "Gender Equality", and has therefore implemented a number of actions, policies and procedures that contribute to the achievement thereof both directly (through its corporate policy, which focuses on the creation of a favourable framework of labour relations based on equal opportunity, non-discrimination and respect for diversity) and indirectly (through awareness-raising and the promotion of equality outside of the organisation itself). Some specific examples for achieving SDG 5 are:

- Iberdrola promotes the reconciliation of professional and personal life, as well as parity in the performance of household chores, through the provision of facilities for the care of ill family members, children and flexible working hours. Iberdrola supports the concept of family co-responsibility.
- Iberdrola is decisively committed to equality in its governance bodies, as well as in positions of responsibility at the executive level.
- Iberdrola defends effective gender equality not only with the management of its human team, but also, for example, by supporting female sports and the selection of STEM (Science, Technology, Engineering and Mathematics) careers by young students.

We promote equality-focused activities

We promote gender equality, where women and men have the same opportunities for development and personal growth.

Agreements with notable universities to achieve gender equality, goal number 5 of the Sustainable Development Goals approved by the United Nations.

Holding events to drive professional growth and leadership among women in the energy sector.

Structuring the recruitment process to avoid personal preferences. Job opportunities available to all staff through the employee portal.

The commitment to gender equality has progressed over the years and has materialised in various initiatives:

- In 2007 Iberdrola Spain introduced measures to support maternity by allowing pregnant women to have 15 days off prior to delivery and one year of reduced working hours at 100 % salary, guaranteed.
- In 2008 Iberdrola Spain agreed with its workforce to make the shortened workday universal, which consisted of condensing the workday with no stop for lunch in order to leave the work centre early. The initiative, which was unprecedented at a large industrial company, was an inflection point in Spain, as it was the first in the country to attempt full work and family reconciliation.
- In 2016 Iberdrola's Board of Directors strengthened as a strategic objective the development of labour relations based on equal opportunity, non-discrimination and respect for diversity, as set out in the group's *Equal Opportunity and Reconciliation Policy*.

- At year-end 2018, 36 % of Iberdrola's Board of Directors are women, which makes it one of the IBEX-35 companies with the largest number of women on the Board. The company has also committed to a woman as the new CEO of Iberdrola Spain to lead this subsidiary.
- Iberdrola has been included in the Bloomberg Gender-Equality (GEI) Index, which recognises companies that have policies favouring gender equality and best practices in the area of work/life balance. The company is the only Spanish energy company included in this index.

Iberdrola currently has various initiatives and collaborations with institutions that support respect for the principle of equality in both the private and public arena.

At the group level, the company is a member of the European Round Table, an initiative at the EU level bringing together 50 chairs and executive directors of European multinational companies in order to design and defend policies creating a strong, open and competitive European Union. Within this initiative, Iberdrola works in the Social Changes working group, focusing on issues relating to the European Union's most valuable resource, its people. One of its four action areas is the promotion of the representation of women in leadership positions, focused on monitoring figures and milestones mainly promoted and driven by the more than 50 members of the initiative.

Other examples of collaborations and initiatives in the main countries in which it operates are:

Spain

- To put the principle of diversity and equal opportunities into effect, the 7th Collective Bargaining Agreement includes an Equality Plan within the framework of labour relations (hiring, training, promotion, remuneration, etc.). Said Plan describes the numerous reconciliation measures made available to employees, which is a non-monetary supplement to remuneration.
- Sponsorship of the event "Commitment to equality with the UCM".
- Work with the Diversity Charter.
- Sponsorship of female sport through Women's Universe (*Universo Mujer*) (described as case study later in this section).
- Delivery of "Women Who Shine" awards.
- International Day for the Elimination of Violence against Women. To commemorate this day, Iberdrola, together with the Spanish Home Office (*Ministerio del Interior*) carried out the "Don't look the other way" campaign in order to raise awareness and work with all of society to stop this social disgrace. The initiative includes videos recorded with 360° technology showing various episodes of chauvinistic violence that turns the citizen viewer into the leading character in various events. This campaign has also been presented internally to the employees.

United Kingdom

- "*Gender Pay Gap*", a report describing the salary gap, has been published in the United Kingdom in compliance with British law. ScottishPower has also set a goal of exceeding 40 % women in middle management positions and 30 % women executives by 2022.
- In collaboration with Equate Scotland, there has been a launch of Women Returner, a comprehensive support programme for female employees with STEM careers who have been inactive for two or more years, whatever the reasons.
- Joining in a new coalition on gender diversity to increase the number of women at upper levels and as middle managers in the energy industry in the United Kingdom. The new coalition is made up of eight major companies in the industry.
- Member of Women's Engineering Society (WES), a professional network of women in the technology and engineering area that offers inspiration, support and development to future professionals in the field, and is a member of Employers Network for Equality and Inclusion and of Working Families.
- Organisation of an event in collaboration with two Scottish organisations to encourage children to select the scientific path with a view to attracting young women towards STEM careers.

- Member of POWERful Women (PfW), an organisation that promotes diversity in the energy sector, and of which ScottishPower's CEO is an ambassador. As a result of this collaboration, in 2018 ScottishPower joined a programme of tutoring and career support for 40 women in the industry.
- Participation in BITC's Opportunity Now campaign, in the National Women in Engineering Day, in Telegraph's Top 50 Women in Engineering campaign and in the "Top 50 Women in Engineering 2018" event.

United States

- Collaboration with universities and local organisations to promote diversity, including the WomENERGY programme, focused on discovering and strengthening the talent of women at Avangrid through an action plan to train future leaders of the company based on five main pillars:
 - forging collaborations with associations promoting the role of women;
 - emphasising future leaders, the girls of today;
 - designing development, sponsorship and tutoring programmes;
 - respecting and disseminating the value of diversity and inclusion; and
 - creating networks for acquiring talent.

Brazil

- There has been a conference on female empowerment "Empodere-se", which analyses the current challenges and victories of women, and the "Estrelas" event to celebrate Women's Day, in which employees of Neoenergia gave a talk on female empowerment, as well as leading an internal campaign.
- The attraction of women to the electric market to balance gender presence is promoted through the "Escola de Electricistas".
- There is also six-month maternity leave and the hiring of 24-hour legal, financial and psychological support professionals.

Mexico

- Organisation of the "Mujeres con Energía" event with the participation of a group of 40 women leaders from Iberdrola Mexico, which also had a "job and personal competitiveness" workshop given by the Instituto Tecnológico Autónomo de México (ITAM) and the sponsorship of female football.

Furthermore, in cases of discrimination or conduct that could in any way hinder the egalitarian development of the professional career of men and women, Iberdrola has implemented a number of measures in the form of corporate policies, local policies, working groups and monitoring.

At the local level, there is the Diversity and Equality Governance Committee in the United Kingdom and the Equal Opportunity Committee in Spain, the principal mission of which is to engage in an appropriate review of the measures implemented to ensure equal opportunities and non-discrimination. A policy against workplace sexual harassment, a policy promoting a non-discriminatory work environment, and a policy on equal employment opportunities have been implemented in the United States. A policy on equal remuneration has been defined in Brazil.

Defend salary equality

Salary equality

Iberdrola guarantees respect for this right and has made it one of the commitments included in the Equal Opportunity and Reconciliation Policy. Monitoring salary equality is one of the keys to ensure the creation of an inclusive and respectful culture without differentiation based on gender, age, race or any other personal factor.

The remunerative structure for all categories of professionals and responsibility levels within the group is designed under the standard of gender neutrality.

Difference between salary gap and salary equality

It is important to understand the difference between the concepts of salary gap and salary equality:

- The salary gap shows the difference between the average salary received by men and women.
- Salary equality is the right of men and women to receive the same salary for the same work.

There is no salary gap at the Iberdrola group

The average salary of men and women within the consolidated group is quite similar. The ratio between the salary of men and that of women was 97.3 % in 2018 and 100.9 % in 2017, allowing for the conclusion that there is no salary gap within the group.

The underlying cause of the salary gap at certain age groups is the smaller presence of females within the staff, a common situation in the energy sector, which is accentuated in management and technical positions. This reality is more notable due to the scarcity of women specialising in STEM careers.

To mitigate this reality, Iberdrola is working in the following areas:

- On equitable professional development through the implementation of specific training plans for women.
- On the promotion of scientific careers among youth and women students, who will go on to form part of the talent pool that Iberdrola will access in the future.
- On the promotion of measures of reconciliation that equally benefit men and women, so that they can exercise co-responsibility in family duties and thus establish the conditions required for parity.

Iberdrola's defense of salary equality in the last two decades and its commitment to the reduction of the salary gap is seen in the segmentation of average remuneration by age groups and gender.

405-2

| Iberdrola ³⁵ | Remuneration men/Remuneration women | |
|-----------------------------|-------------------------------------|--------------|
| | 2018 | 2017 |
| Up to 30 years old | 92.7 | 98.0 |
| Between 31 and 50 years old | 89.1 | 94.5 |
| More than 50 years old | 111.0 | 110.2 |
| Total | 97.3 | 100.9 |

Reconciliation of professional and personal life

The principles of conduct of the *Equal Opportunity and Reconciliation Policy* include the implementation of reconciliation measures that promote respect for the personal and family life of its professionals and facilitate the achievement of an optimal balance between the latter and the work responsibilities of both genders, particularly emphasising those intended to foster respect for the rest periods of its professionals and to avoid professional communications outside of working hours, when possible.

As stated above, it should be noted that in 2008 Iberdrola Spain agreed with its workforce to make the shortened workday universal. There are also various options offered in Spain for employees on non-school days like extra-curricular children's classes and summer camps for children of employees, especially taking into account those with different abilities. There has also been a continuation of the "Iberdrola Parents' School", which offers employees the opportunity to participate with their children in various programmes. There was the launch in 2018 of the first edition of the "Starters Bootcamp" programme, where adolescent children of employees had the opportunity to proactively and innovatively discover and develop key skills for their professional future at the San Agustín Campus.

In the United Kingdom, flexible work practices and policies have been implemented, promoting balance between work and non-work commitments. Apart from formal arrangements, flexible work without the

35 Companies included: Iberdrola S.A., subsidiaries of: Iberdrola Spain, ScottishPower, Avangrid, Neenergia and Iberdrola Mexico.

limitations of formal arrangements is promoted, developing a culture of confidence and respect. This range of policies and practices includes:

- Improve leave and payment for caring for parents.
- Special leave for employees with responsibilities to care for third parties.
- Development leave for employees who want to take a career break.
- Health and well-being programme that offers a wide range of support and counselling regarding physical and mental well-being.

Avangrid also has the goal of facilitating the reconciliation of professional and personal life. Employees have access to needs-based flexible hours and tele-work options.

In Brazil, the companies of the Neoenergia group are concerned about the well-being of their colleagues, promoting reconciliation of personal and professional life. This includes an initiative in which all computers have a warning system that is activated after the 8-hour work period. Some companies of the group also have flexible working hours. Maternity leave is expanded to six months, two more than guaranteed by law. Some other benefits are: education incentives, co-participation in academies and associations, discounts through the Neoenergia benefits club (*Clube Neo*).

At Iberdrola Mexico, the flexible work hours are available to the work force and vacation days beyond what is required by Mexican law are offered. The company allows for a reduced workday due to maternity or other family reasons. Employees are entitled to reduce their normal working hours by 1 hour during the breastfeeding period, at the beginning or end of the workday. All workers can enjoy a period of maternity leave prior to giving birth, and after the legal maternity leave employees are entitled to a leave of absence with the right to return to the job. Special working hours are given for maternity provided that the established number of hours are covered.

401-3

| Leave and return to work due to paternity/ maternity | 2018 | | 2017 | | 2016 | |
|--|----------------------|-------|--------|-------|--------|-------|
| | Men | Women | Men | Women | Men | Women |
| Employees entitled to maternity/paternity leave (no.) | 26,117 | 7,961 | 26,229 | 8,026 | 25,925 | 8,157 |
| Employees entitled to maternity/paternity leave (%) | 100 | 100 | 100 | 100 | 100 | 100 |
| Number of employees taking parental leave | 441 | 444 | 345 | 440 | 434 | 463 |
| Number of employees that returned to work after parental leave ended | 516 | 366 | 363 | 349 | N/Av. | N/Av. |
| Number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work | 373 | 337 | 328 | 411 | N/Av. | N/Av. |
| Return to work rate | 117.01 ³⁶ | 82.34 | 105.22 | 79.32 | N/Av. | N/Av. |

Functional diversity

The main goals in this area during 2018 have focused on:

- 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, particularly persons with diverse abilities, through the Corporate Volunteer Programme, which affords our employees an opportunity to participate in various solidarity initiatives to raise awareness of these groups and

³⁶ Greater than 100% because employees who were entitled to leave in 2017 returned to work in 2018.

to improve the quality of their life. More detailed information can be found in the "Corporate volunteering programme" section of Chapter II.5.

To put the principle of diversity and equal opportunities into effect, in Spain the 7th Collective Bargaining Agreement includes an Equality Plan within the framework of labour relations (hiring, training, promotion, remuneration, etc.), which guarantees such principle. Within this Plan, an Equal Opportunity Committee has been created with the main mission of engaging in an appropriate review of the measures implemented to ensure equal opportunities and non-discrimination, and to encourage the inclusion of new activities in this area. A number of appropriate measures are also established for workers with disabilities in order for them to adjust to and access the work position, based on the requirements and characteristics thereof and on the needs in each specific situation, which facilitates their integration.

In addition, in order to comply with the principle of non-discrimination for reasons of diverse abilities, arrangements were made to obtain disability certificates for those employees who applied for them. 75 families have also benefited from the Family Plan, which is intended to facilitate the social and workplace integration of family members with a disability who are the dependent of an employee.

In turn, Iberdrola continues collaboration with the Diversity Charter, of which it has been a signatory since 2009, and has the category of patron member; as such, it respects prevailing legal provisions in terms of equal opportunity and non-discrimination, and puts diversity policies into practice.

Finally, donations have been made to entities or foundations whose purpose is professional training, entry into the job market or the creation of employment for persons with disabilities; and contracts have been signed with special employment centres, in excess of the amount required by law for investment in alternative measures, thus promoting protected employment.

In the United Kingdom, ScottishPower wagers on policies supporting people with disabilities to help ensure equal opportunity in employment. It has received the Disability Confident Standard award and holds one of the highest positions in the Carers Scotland ranking. It also began work in 2018 with Enable Scotland and Strathclyde Business School to offer qualified training to disabled youths in order to facilitate their integration into the labour force. The British subsidiary offers them a total of eight days of mentoring at its offices, which has broadened their professional horizons. This collaboration was awarded *Best Learning & Development Initiative* during the annual *National Diversity Awards for Power*, as well as the *Youth Employment Award* during the *National Diversity Awards for Scotland 2018*. It has also continued its work with the Business Disability Forum.

In the United States, Avangrid has four specific diversity policies: equal opportunity in access to employment, support for disabled persons or disabled veterans, promotion of a non-discriminatory work environment and combating sexual harassment in the workplace.

In Brazil, Neoenergia has continued the "*Programa Novo Olhar*", a pilot project to promote the labour insertion of Down Syndrome youth at the company through a mentoring system.

Iberdrola Mexico has financial assistance for the children of employees with physical and/or mental disabilities in order to be able to achieve full integration into society.

The following table shows the number of disabled employees within the group:

| Employees with disabilities 2018 | Men | Women | Total |
|----------------------------------|-----|-------|-------|
| Iberdrola total ³⁷ | 257 | 145 | 402 |

³⁷ Does not include employees in the United Kingdom or United States. The company has chosen not to request this information in the United Kingdom. In the United States, the employee has the option not to report on their disability, and at year-end 2018 no employee decided to exercise their right to share this information.

Iberdrola, sponsor of women's sports in Spain

In 2016, after its agreement with the Ministry of Education, Culture and Sport, Iberdrola became the first company with a global commitment to encourage female participation in all areas of sport. It continues to promote equality through female sports within the framework of the *Women's Universe Programme*, working with different national federations.

The main goals of this project are to promote gender equality, drive the success and practice of women's sport and foster healthy habits from a young age. The company has thus become the main driver behind the "Woman's Universe" programme to develop initiatives that contribute to improvement and social transformation through the values of female sports. In this context, Iberdrola was a pioneer in making a global commitment to promoting the participation of women in all areas of sport.

In 2018 Iberdrola renewed its commitment to support the various national federations, including:

- by promoting and increasing female participation in all areas of sport.
- by the existence of programmes to promote sport at the grassroots level and other social projects.
- by their extraordinary level of success achieved and high participation rate.

Specifically, support for 16 federations has been ratified: gymnastics, badminton, handball, boxing, ice sports, hockey, karate, swimming, rugby, canoeing, triathlon, table tennis, surfing, volleyball and football. Together with each of the federations, Iberdrola also supports activities to promote women's sport like educational campaigns at high schools and national competitions.

In 2018 Iberdrola also organised five stages of the *Women, Health and Sport Tour*, touring various Spanish cities with the aim of promoting women's sport and transmitting the concepts of effort and improvement via the practice and exhibition of various disciplines.

In short, by supporting women's sports, Iberdrola reinforces its commitment to the promotion of talent, effective equality and social development, which form part of the company's key pillars. Its support for values such as teamwork and overcoming challenges materialises through various projects with the aim of reinforcing the social and cultural dimension of sport and activating support for women's sport.

II.3. Fight against Climate Change and Protection of Biodiversity

- Iberdrola and sustainable management
- Efficiency in the use of natural resources
- Use of materials
- Efficiency in energy consumption
- Reduction of emissions
- Rational use of water
- Waste management
- Protection of biodiversity
- Environmental safety



Main Priorities of the SR Plan

- Sustainable economic growth
- Workplace health & safety and personal development
- Fight against climate change and protecting biodiversity ✓
- Innovation digitalization and quality for our customers
- Contributing to the wellbeing of our communities
- Good governance, transparency and stakeholder engagement
- Promoting CSR in the supply chain

Iberdrola and sustainable management

The fight against climate change and the protection of the environment are goals that define Iberdrola as a company, with leadership in the development of clean energy and respect for the environment being significant aspects of its business model, a competitive element that distinguishes it in the industry as one of the leading companies worldwide.

Corporate policies

Iberdrola has a *General Sustainable Development Policy* that is further developed in detail by four specific corporate policies for environmental management, all approved by the Board of Directors:

– *Sustainable Management Policy*

The group has transformed its business model in recent years to make it more sustainable, achieving development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

To continue leading this transformation, the group follows a strategy with the following main pillars:

- leadership in the fight against climate change,
- development of clean energies that contribute to the decarbonisation of the economy,
- development of products that are increasingly competitive, cause the lowest possible environmental impact and are capable of assuring its customers of reliable supply.

This *Sustainable Management Policy* reflects the main principles of conduct regarding management that all companies of the group must comply with and that are a framework of reference for achieving the Sustainable Development Goals (SDGs) approved by the United Nations, as well as certain commitments that affect specific areas of group activity.

– *Environmental Policy*

Iberdrola, aware of the importance of the environmental dimension in carrying out its business mission for its customers and shareholders and for other significant Stakeholders with whom it interacts, commits to promoting innovation in this field and eco-efficiency (reduction of the environmental impact per production unit), i.e. to gradually reduce the environmental impacts of their activities, facilities, products and services, as well as to offer, promote and investigate eco-efficient solutions within their market.

The group optimises the management of water and hazardous and non-hazardous waste through systems that set objectives and goals on, among other aspects, waste reduction, the use of best practices in water usage and the use of recycled materials, thus contributing to the transition towards a circular economy.

102-11

Iberdrola's *Environmental Policy* establishes company's the principles of environmental conduct, defining its commitments. They set out the precautionary principle in environmental matters. The practical application thereof is reflected in the wager on more efficient and cleaner technologies and processes that contribute to confronting climate change and other environmental challenges, with a precautionary approach that allows for greater respect towards biodiversity and a more sustainable use of natural resources, from a broad circular economy perspective.

– *Policy against Climate Change*

Climate change is one of the most important challenges that humanity must face in the 21st century. The use of fossil fuels has caused a considerable increase in greenhouse gas emissions, which have accelerated global warming.

Iberdrola recognizes the seriousness of the threat that this global warming entails, which must be faced in a collective and coordinated manner by governments, multilateral agencies, the private sector and society as a whole.

Along these lines, the company commits to assuming a position of leadership in the fight against climate change, to promote a corporate culture focused on promoting awareness-raising among all of its Stakeholders regarding the magnitude of this challenge and the benefits associated with resolving it, identifying specific actions in the area of mitigation and adaptation.

This commitment is consistent with the goals of the Paris Agreement, with goal thirteen of the Sustainable Development Goals (SDGs) approved by the United Nations.

– *Biodiversity Policy*

The scientific community unanimously agrees in noting that there is currently a serious decline in biodiversity as well as a degradation of ecosystems. This loss of biodiversity, a direct consequence of the impact of human activities, is occurring more rapidly and generally, which entails serious environmental, economic and social risks.

Iberdrola is fully aware of these risks and of its responsibility as a leading company in the electricity sector, and works to adopt the measures allowing for the identification and eradication thereof, with a proactive attitude promoting biodiversity that goes beyond strategies of mitigating or containing damages.

Management of natural capital

The *Environmental Policy* contains the commitment to integrate the environmental dimension and respect for the natural environment into the strategy of the group. The company conceives of respect for the environment as one of the corporate values that determines its entire business strategy, as it is key to the configuration of a sustainable energy model.

The development of clean energy and investment in smart grids and in other energy efficiency technologies are the company's basis for protecting natural capital.

Iberdrola considers this environmental dimension as a priority in planning its businesses. This compels it to promote innovation, eco-efficiency and the gradual reduction of environmental impacts in the activities of the group, in order for energy to become a sustainable driver of the economy.

The commitment to renewable energy is the best way to approach this challenge, reducing the consumption of raw materials as well as the intensity of greenhouse gas emissions.

With a presence in disperse regions, especially due to its Networks and Renewables Businesses, the company also pays special attention to the protection of the biodiversity of the habitats in which its facilities are located, as explained in the "Protection of biodiversity" section of this chapter.

Circular economy

In its commitment to the environment and sustainable development, Iberdrola considers the circular economy to be a pillar of sustainability. Since 2014 Iberdrola has included in its management a focus on the life cycle, which is the basis for the transition towards the circular economy.

In 2017 Iberdrola signed the Spanish government's circular economy agreement with the Ministry of Agriculture, Food and Environment (*Ministerio de Agricultura Alimentación y Medioambiente*) (MAPAMA), now Ministry for the Ecological Transition (*Ministerio para la Transición Ecológica*) (MITECO).

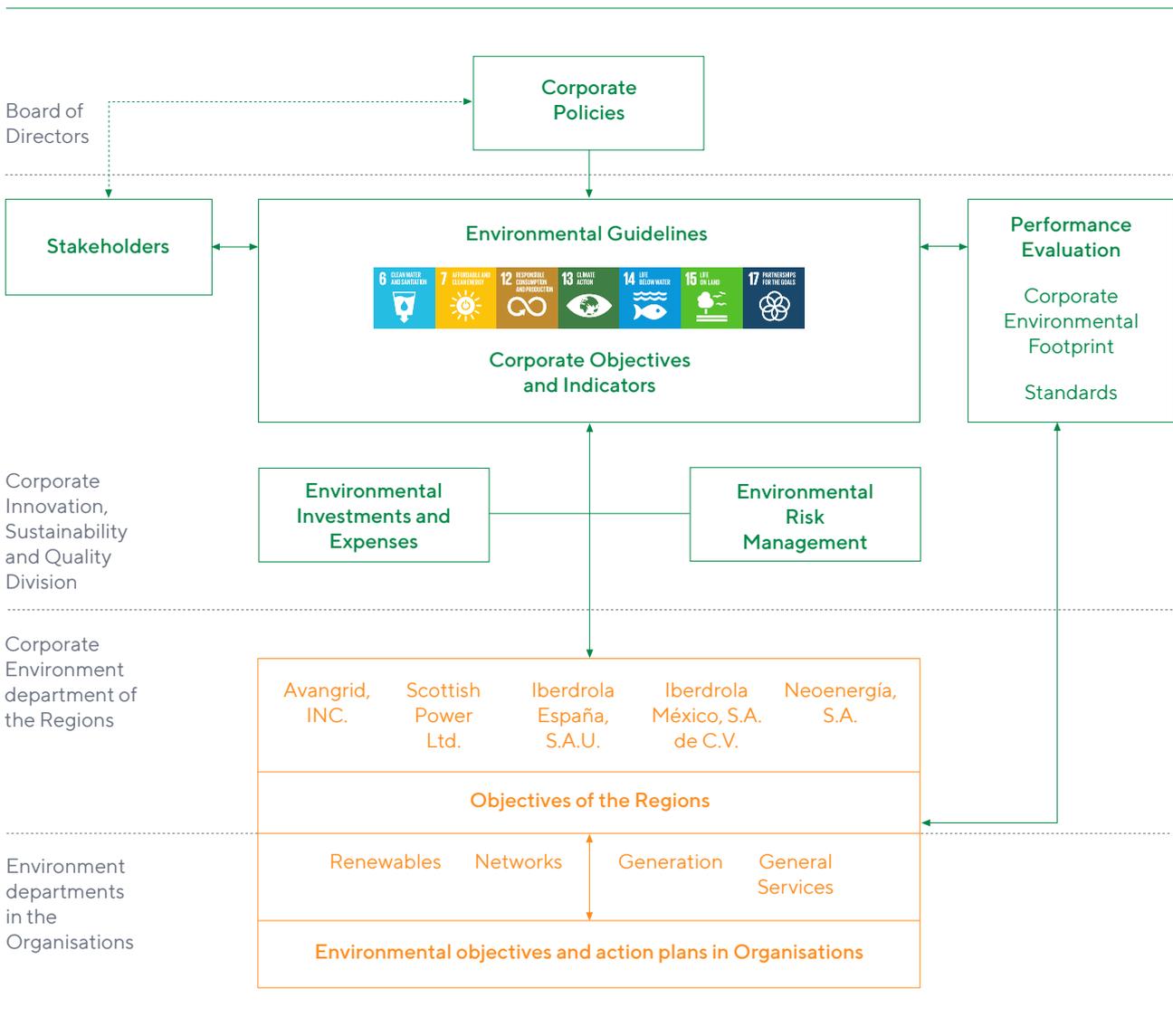
The group has committed to the circular economy, prioritising the reduction in intensity of resources, and wagering on decarbonisation and electrification of the economy, efficiency, R&D+i, digitalization, environmental traction and maximising waste recovery.

Environmental management system

The commitments made in the policies take shape in the Iberdrola group’s Environmental Management System. This system allows for alignment of the environmental dimension within the group’s sustainability model, integrating the Sustainable Development Goals and articulating the mechanisms to measure and evaluate the group’s environmental performance from the Life Cycle perspective, including in the management thereof the concept of circular economy and of natural capital.

The group’s Environmental Management System establishes a common, homogeneous, integrated and benchmark environmental framework for all of the Organisations. The system facilitates the development of an on-going, global and homogeneous diagnostic regarding the environmental behaviour of the company in each of its management levels.

Environmental management system of Iberdrola group



The System thus translates the corporate environment policies into environmental guidelines, which are deployed by the organisations of Iberdrola in environmental objectives and targets. Environmental guidelines aligned with the SDGs that define Iberdrola's strategic environmental lines are:

- Protect the environment and stop the loss of biodiversity.
- Combat climate change and its effects.
- Guarantee sustainable modes of production and consumption.
- Revitalise partnerships with Stakeholders for sustainable development.

102-11

The precautionary principle set out in the *Environmental Policy* takes shape through its environmental management system. Through its Environmental Management System, Iberdrola thus identifies the environmental risks and opportunities of the group and manages them through specific instruments of prevention and mitigation of risks, and action plans for opportunities.

Apart from reducing environmental risks and identifying opportunities, the management system also contributes very positive aspects, including:

- Identification of environmental aspects throughout the entire life cycle and the impact thereof on the environment by calculating the Corporate Environmental Footprint (CEF).
- Exploitation of synergies between businesses and improvement of internal tools that result in a simplification of procedures.
- Improved environmental training and awareness-raising of employees. (A total of 12,537 hours of environmental training has been provided).
- Improved environmental training at suppliers.
- Strengthening of relations with Stakeholders.

The Iberdrola group's environmental management system is based on regional and organisational management systems for the various activities, businesses and regions of the group. The environmental function is thus distributed among all organisational and hierarchical levels of the group, from the Chairman's Office down to each person with local power over his or her surroundings. This complies with the "subsidiarity" principle of the *Environmental Policy*, pursuant to which all matters relating to the environment are dealt with and resolved in each region by the affected business, although they must all be included in Iberdrola's environmental management system.

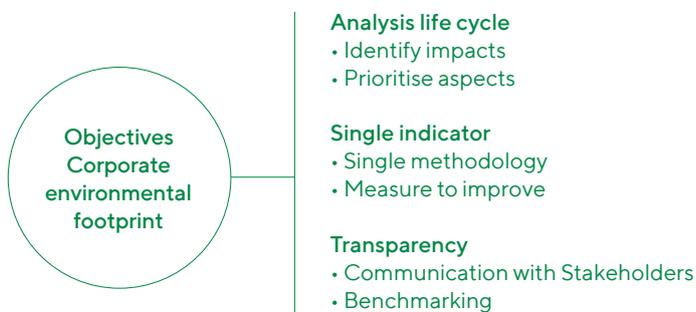
Corporate Environmental Footprint (CEF)

Iberdrola's environmental management includes calculation of the CEF, which evaluates the effects of the company's activities on the environment from the lifecycle viewpoint (ISO/TS 14072:2014 standard). The objectives of the CEF are:

- To quantify, homogenise and unify the group's environmental performance.
- To determine the effect of Iberdrola's activities in the different environmental impact categories.
- To help monitor the organisation's environmental performance and allow for tracking of the objectives of the businesses and of environmental improvements.
- To identify and assess the environmental aspects having the greatest significance for Iberdrola's activities.

For more information, see [Iberdrola's Environmental Footprint](#).

Measurement of the global environmental performance of the group



Certifications

Iberdrola's environmental management system is a strong system under the premise of continuous improvement, demonstrated by means of various certifications and verifications based on international standards (ISO14001, EMAS, ISO14064), and always validated by leading certification firms. They are the following:

- ISO 14001. The group's environmental management system groups together all of the partial certifications of each of the businesses and processes. 73 % of the group's energy production is under this certification. Apart from generation, the group also has distribution and retail sale as well as its buildings and services under this standard.
- Eco-Management and Audit Scheme (EMAS). The thermal generation plants of the group have certificates under this standard.
- ISO 14064. Iberdrola verifies its greenhouse gas emissions under this standard.
- ISO TS 14072. Iberdrola verifies its Corporate Environmental Footprint under this standard, and is the only company in the industry to obtain this verification certificate.
- ISO 20121. Sustainable Event Management. Iberdrola certifies its General Shareholders' Meeting with this standard.

More information is available in the [Certifications and Verifications](#) section of the website.

Expenses and investments

Iberdrola generally considers all expenses or investments regarding projects that have a clear environmental impact, whether direct or indirect, to be environmental expenses or investments, as classified below:

- 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.
- Reduction of environmental impact through the removal of pollution or pollutants from the environment, soil, groundwater, sediment or surface water.
- Environmental prevention, which considers investments in new renewable energy 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.

The expenses and investments of an environmental nature made by Iberdrola during 2018 to preserve the environment of the area in which it operates are set forth in the following tables:

| Environmental investments and expenses (€ thousand) | 2018 | 2017 | 2016 |
|--|-----------|-----------|-----------|
| Environmental investments | 2,132,586 | 2,239,917 | 2,262,237 |
| Environmental expenses | 549,666 | 513,233 | 527,140 |

Reserves and insurance coverage for environmental risks

Iberdrola made 100 million euros of investments to prevent environmental risks (fires, spills, protection of avifauna, etc.) in 2018. It also makes accounting reserves to cover the materialisation of potential environmental risks.

Iberdrola also has coverage to cover the occurrence of environmental risks in the insurance that it has obtained. The main corporate insurance that the company has obtained with environmental coverage is:

- Environmental Liability Insurance: Contractual limit of 130 million euros per incident and in the aggregate per year.
- Civil Liability Coverage for Sudden Accidental Pollution in the general civil liability policy: Limit of 500 million euros per incident and in the aggregate per year.

Environmental Grievance Mechanisms

Iberdrola makes grievance mechanisms and tools and the management processes associated therewith available to its Stakeholders. All of this is described in the "Introduction" section of Chapter II.5.

Specifically focused on the environmental aspects of its activities, Iberdrola has an email mailbox medioambiente@iberdrola.es, which serves as a channel of communication with its Stakeholders, and which can be accessed in the [contact](#) section, offering the ability to ask questions, provide suggestions, place concerns or make complaints. The mailbox is included in the Environmental Management System of the company, and is certified under the ISO 14001 standard. 2,034 messages were received through this mailbox in 2018, of which only 3 were an environmental grievance, 2 of which were managed with those responsible and closed during the year. The third environmental grievance will be managed during 2019 as it was received at the end of December 2018.

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](#).

Efficiency in the use of natural resources

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



Electricity generation is one of the main activities carried out within the group. Iberdrola has continued to wager for years on the most efficient technologies per unit of production, with the lowest environmental impact. This is reflected in the following activities:

- Commitment to the development of renewable sources, especially onshore wind, offshore wind and solar photovoltaic.
- Proposed closure of the last two coal plants (in 2018 coal generation represented 1.3 % of the group's production), pursuing a business strategy of replacing conventional technologies with others offering production with lower emissions.
- Selection of products having a reduced environmental impact.
- Sustainable management and use of consumables, always respecting the natural environmental and taking the necessary measures to reduce the risks of affecting it.
- Commitment to technologies with lower dependence on hydraulic resources.
- Sustainable management of water collected for cooling, optimising systems for reuse of water prior to return to the environment.

Use of materials

GRI 301

The consumption of fuel from non-renewable sources over the last three years is shown below:

301-1

| Use of raw materials | 2018 | 2017 | 2016 |
|--------------------------------|----------------------|------------------------------|----------------|
| Coal (t) | 736,670 | 1,205,609 | 1,746,457 |
| Fuel (t) | 44,155 | 48,376 | 45,117 |
| Natural gas (Nm ³) | 11,657,294,804 | 12,293,944,087 ³⁸ | 11,832,458,331 |
| Gas-oil (m ³) | 62,081 ³⁹ | 15,217 ³⁸ | 29,520 |
| Uranium (kg) | 44,625 | 65,407 | 56,915 |
| Waste derived fuel (WDF) (t) | 2,983 | 2,666 | 1,800 |

One can see the reduced weight of coal consumption in 2018, and a reduction thereof over the last 3 years as a result of the closing of the thermal coal generation facilities.

The use of waste derived fuel (WDF) represents 0.02 % of all fuel consumed at thermal plants during the year. **301-2**

The use of fuel (%) during 2018 by country was as follows **301-1** :

| Distribution of fuel consumption 2018 (%) | Coal | Fuel-oil | Natural Gas | Gas-oil | Uranium | WDF |
|---|------|----------|-------------|---------|---------|-----|
| Spain | 100 | 100 | 13 | 7 | 100 | 100 |
| United Kingdom | 0 | 0 | 9 | 0 | 0 | 0 |
| United States | 0 | 0 | 5 | 0 | 0 | 0 |
| Brazil | 0 | 0 | 6 | 0 | 0 | 0 |
| Mexico | 0 | 0 | 68 | 93 | 0 | 0 |
| Other countries | 0 | 0 | 0 | 0 | 0 | 0 |

One can see that the consumption of gas is mainly concentrated in Mexico. In this country, the combined cycle gas plants have transitioned over the last decade from an electric system operated by the CFE and based on very old and polluting plants to a system highly weighted towards renewable sources, as provided by the industry reform they are undergoing. Iberdrola has a broad portfolio of renewable projects in the country, which portfolio continues to be developed.

Apart from fuels, there is also consumption to a much lesser extent of chemical products (in water purification, filtering of gases, etc.), oil and grease (as lubricants to maintain equipment) and office paper. As to this last consumable, it should be noted that implementation of electronic billing continued during 2018 in Spain and the United States, involving a savings of 474 t of paper compared to the prior year.

³⁸ Data recalculated with respect to the data published in 2017.

³⁹ Shutdowns of the plants in Mexico for maintenance work increased the use of gas-oil at those plants.

Efficiency in energy consumption

GRI 302

The Iberdrola group ensures optimisation in the use of energy throughout its entire energy chain (production, transmission, distribution, supply and end use), contemplating energy efficiency from a three-fold perspective:

- As an electricity generator and distributor, it seeks to improve efficiency by introducing the most advanced technologies, equipment and digitalization.
- As an energy consumer, Iberdrola promotes the on-going improvement of energy efficiency across all its activities (offices and buildings, vehicles, water, mobility, employee awareness, etc.).
- As an electricity supplier, it hopes to contribute to a more efficient use of energy by consumers, through information, promotion and supply of solutions and technologies that help them improve their energy efficiency and reduce the environmental impact of their energy habits and consumption.

Energy intensity

302-3

The intensity of fuel consumption at the thermal generation plants (tep/GWh) in relation to net output and the intensity of internal energy consumption is shown in the following two tables:

| Fossil fuel consumption (tep/GWh) ⁴⁰ | 2018 | 2017 | 2016 |
|---|------|-------------------|------|
| Total | 174 | 189 ⁴¹ | 189 |

| Intensity of internal energy consumption (GJ/GWh) | 2018 | 2017 | 2016 |
|---|------|--------------------|------|
| Total | 2.75 | 3.26 ⁴¹ | 3.10 |

⁴⁰ Conversion factor used: 1GJ= 0.023888889 Tep.

⁴¹ Data recalculated with respect to the data published in 2017.

The energy intensity of the group has been reduced as a result of the growing weight of renewable production. It should be kept in mind that the variability of wind and hydroelectric resources as a result of climate factors might cause a slight uptick in intensity in certain years (in 2017, due to the drought in Spain), as explained by the following data:

| Generation technologies | % energy output | | |
|------------------------------|-----------------|-------|-------|
| | 2018 | 2017 | 2016 |
| Renewables | 42.4% | 36.7% | 39.6% |
| Onshore wind | 25.1% | 24.7% | 23.1% |
| Offshore wind | 1.1% | 0.6% | 0.0% |
| Hydroelectric | 15.9% | 11.4% | 16.3% |
| Photovoltaic solar and other | 0.3% | 0.00% | 0.2% |
| Nuclear | 16.2% | 16.9% | 17% |
| Combined cycle | 34.8% | 39.3% | 36% |
| Cogeneration | 5.5% | 5.0% | 5% |
| Coal | 1.1% | 1.9% | 3% |

As seen in the table above, the increase in renewable generation and the decrease in combined cycle and thermal coal production has caused energy intensity to decrease by 15.6 % since 2017.

Energy consumption within the organisation 302-1

Energy consumption within the organisation (internal consumption) includes the consumption of energy at all of the Iberdrola group's facilities, buildings and offices, and is calculated as:

Energy consumption within the organisation (GJ) = Fuel consumption + Energy purchased - Energy sold (non-renewable) - Steam sold.

The fuel consumption figure in terms of energy (GJ) is obtained from direct measurement of the fuel used at each facility based on its calorific value (NCV):

$$\text{Consumption (GJ)} = \text{Fuel consumption (kg)} \times \text{PCI} \left(\frac{\text{MJ}}{\text{kg}} \right) / 1000$$

The value of the energy purchased or sold is obtained by direct measurement at the facilities, buildings and offices.

$$\text{Consumption (GJ)} = \sum \text{building/facility consumption (MWh)} \times 3.6 \text{ GJ/MWH}$$

Energy consumption within the organisation in recent years is shown in the following table:

302-1

| Energy consumption within the organisation (GJ) ⁴² | 2018 | 2017 | 2016 |
|---|--------------------|--------------------|--------------------|
| Fuel consumption | 705,935,390 | 760,201,810 | 764,386,296 |
| By type of fuel | | | |
| Natural Gas | 415,501,034 | 462,114,731 | 442,096,346 |
| Uranium | 265,340,801 | 262,902,924 | 274,800,068 |
| Coal | 20,786,260 | 33,020,919 | 45,338,800 |
| Fuel-oil | 1,801,267 | 1,899,317 | 1,919,103 |
| Gas-oil | 2,408,430 | 175,699 | 173,154 |
| WDF | 97,598 | 88,220 | 58,826 |
| By type of technology | | | |
| Generating plants ⁴³ | 630,823,781 | 691,154,673 | 693,437,227 |
| Cogeneration | 74,427,358 | 68,440,622 | 69,893,794 |
| Non-generating plants ⁴⁴ | 631,635 | 606,515 | 1,055,275 |
| Energy purchased | 11,154,560 | 11,664,660 | 13,951,277 |
| Standby and pumping | 10,443,459 | 10,886,544 | 13,096,768 |
| Buildings | 711,101 | 778,116 | 736,428 |
| Energy sold (non-renewable) | 301,836,963 | 312,791,322 | 309,683,361 |
| Steam sold⁴⁵ | 14,694,432 | 18,527,684 | 26,484,009 |
| Total⁴² | 400,558,556 | 440,547,464 | 442,170,204 |

42 Energy consumption within the organisation (GJ) = Fuel consumption + Energy purchased - Energy sold (non-renewable) - Steam sold.

43 Combined cycle, conventional thermal and nuclear plants.

44 "Non-generating" facilities are Daldowie (thermal drying) and Hatfield (gas storage) in the United Kingdom.

45 The reduction in the value of steam sold during 2017 is due to the sale of the cogeneration plants in Brazil.

Reduction of energy consumption 302-4

Two fundamental blocks for reducing energy consumption are considered; on the one hand the energy savings from reduction in fuel consumption and on the other those associated with energy efficiency.

The consumption of fossil fuels for the generation of 237,008,460 GJ was avoided in 2018 through the generation of renewable energy and the supply of steam to industrial customers.

302-4

| Reduction of energy consumption by the generation of renewable energy and steam | | | | |
|---|---|--------------------|--------------------|--------------------|
| Areas | Energy type | Energy saved (GJ) | | |
| | | 2018 | 2017 ⁴⁶ | 2016 |
| Renewables | Annual primary energy savings through the production of renewable energy | 222,314,028 | 182,689,200 | 205,089,621 |
| Cogeneration | Annual savings through the supply of heat energy (steam) within the group | 14,694,432 | 18,511,200 | 26,484,009 |
| Total | | 237,008,460 | 201,200,400 | 231,573,630 |

The reduction in energy consumption is equal to the savings of primary (non-renewable) energy generated by the production of renewable energy and cogeneration. This value of the energy saved is obtained by direct measurement at the output terminals of the facilities.

$$\text{Consumption (GJ)} = \sum \text{generation (MWh)} \times 3.6 \text{ GJ/MWh}$$

Various measures were implemented in 2018 to improve energy efficiency at buildings and infrastructure. The energy savings produced by these measures is presented below:

| Reduction of energy consumption associated with increases in efficiency | | | | |
|---|---|-------------------|----------------------|------------------|
| Areas | Item | Energy saved (GJ) | | |
| | | Item | 2017 | 2016 |
| Efficiency in the distribution network | Savings due to efficiency in the grid | 2,824,279 | 4,273,557 | 2,337,062 |
| Efficiency in generation | Savings due to efficiency improvement at plants | 9,117 | 44,744 ⁴⁷ | 936 |
| Efficiency at buildings | Savings due to efficiency at buildings | 672 | 76,000 | N/Av. |
| Total | | 2,834,068 | 4,318,301 | 2,337,998 |

Savings due to efficiency measures of the electricity grid

Energy savings from network efficiency derive from actions the company takes to control or reduce 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.

⁴⁶ Data recalculated with respect to data published in 2017, decreased renewable generation and the sale of the cogeneration plant in Brazil.

⁴⁷ The increase in savings over 2016 is due to the placement into service of more efficient equipment at the generating plants in 2017.

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

The table below shows transmission and distribution network losses:

EU12

| Transmission and distribution network losses (%) | 2018 | 2017 | 2016 |
|--|-------|--------------------|-------|
| Transmission | | | |
| United Kingdom | 1.52 | 2.12 ⁴⁸ | 1.13 |
| United States | 4.68 | 4.72 ⁴⁹ | 4.71 |
| Distribution | | | |
| Spain | 6.60 | 6.70 | 6.89 |
| United Kingdom | 6.43 | 6.32 | 6.22 |
| United States | 5.25 | 3.59 | 4.79 |
| Brazil ⁵⁰ | 13.21 | 12.24 | 12.46 |

Loss reduction programmes are implemented each year in all regions to improve the reliability and availability of the supply network, which has made it possible to reduce, or at least maintain in most cases, the level of losses.

Efficiency in thermal generation

As in prior years the company continues to take action to improve the efficiency of the plants, avoiding leaks, decreasing emissions, reducing internal consumption, optimising start-up time and procedure and installing recirculation systems, among other things. The calculation of savings from efficiency in generation is obtained by measuring the reduction in consumption of fuel by MWh due to the improvements made.

The table below shows the average performance of the thermal generation facilities:

EU11

| Average performance ⁵¹ at thermal generation facilities (%) | 2018 | 2017 | 2016 |
|--|--------------|--------------|--------------|
| Combined cycle | 54.22 | 53.57 | 51.82 |
| Conventional thermal | 34.28 | 34.38 | 33.00 |
| Cogeneration | 55.62 | 53.81 | 56.14 |
| Total | 53.83 | 52.76 | 51.08 |

Combined cycles, which are the most efficient thermal technology, represent 60 % of the group's thermal production⁵², as derived from the information reported in the "Key operational figures" section of Chapter I "About Iberdrola" of this report.

Information on the average performance of the thermal generation facilities in the various countries is described Annex 1 Supplementary Information.

48 Derived from surcharges on lines from adjustment due to closing of Longannet.

49 2017 and 2016 data recalculated due to new methodology.

50 All Iberdrola group networks in Brazil are classified as distribution.

51 Average of efficiencies weighted by the annual production of each thermal power plant.

52 Includes nuclear generation.

Efficiency at buildings

Iberdrola continues to implement energy efficiency measures at the buildings and offices of the company all over the world. Energy audits of the buildings allow it to determine the actions to take at the buildings: optimising acclimatisation (heating and air conditioning) performance, improving thermal insulation, efficiency in the lighting of buildings, and automation of the facilities associated therewith.

The savings by application of these measures compared to the prior year was 672 GJ.

Reductions in energy requirements of products and services

Iberdrola fosters efficiency, gradually reducing the environmental impact of its products and services. It also offers advice to its customers, encouraging and researching eco-efficient solutions.

In addition to electricity and gas, Iberdrola sells new products and services to encourage energy and financial savings by its customers, efficiency, and care for the environment.

302-5

| Energy savings of green products and services (GJ) | 2018 | 2017 | 2016 |
|--|--------------------------|-----------------------|-------------------|
| Photovoltaic solar energy | 20,336 | 1,899 | 605 |
| Energy audits and plans | 46,545 ⁵³ | 100,375 | 199,980 |
| Gas maintenance service | 875,326 | 790,441 | 809,507 |
| Other savings and efficiency activities | 99,970 | 158,113 ⁵⁴ | 87,459 |
| Green energy supplied | 42,700,000 ⁵⁵ | 49,874,302 | 51,764,036 |
| Total | 43,742,176 | 50,925,130 | 52,861,587 |

More information about these and other initiatives is available at the websites of [Spain](#), [Brazil](#), [United Kingdom](#), [United States](#) (through [NYSEG](#), [RG&E](#) and [CMP](#)) and [Portugal](#).

Energy consumption outside of the organisation 302-2

The most significant consumption of energy outside of the organisation is consumption associated with the transport of fuel by motorway, with trips to/from work by group employees, and with business travel (planes and motorways). All of this information forms part of scope 3 of the calculation of greenhouse gas emissions. Energy consumption outside of the organisation is estimated based on the distances travelled by each means of transport and is transformed by means of conversion factors from official sources⁵⁶. The energy consumption for these items is around 847,440 GJ.

⁵³ The energy audits and plans are in effect for 5 years, giving rise to the reduction they produce

⁵⁴ Recalculated data.

⁵⁵ No data available from Brazil as at the date this report is issued.

⁵⁶ Defra: Department for Environment, Food and Rural Affairs (United Kingdom)

Reduction of emissions

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



GRI 305

Iberdrola recognises the fight against climate change as a strategic pillar of its activity in its corporate governance system, and has updated its *Policy against Climate Change* in 2018. To put this commitment into practice, Iberdrola has a climate action plan with various lines of action dealing with both mitigation and internal adaptation to climate change, its active participation in the global agenda, the promotion of a corporate culture focused on promoting awareness-raising and the engagement of all of its Stakeholders in this area. This work is coordinated through an internal working group, which integrates the various areas of the company involved in this area.

As part of its climate action, Iberdrola has ambitious emission reduction objectives that will bring us to be emission neutral by 2050 and which are recognised as Science Based Targets (SBTi). It also has an investment plan and innovation policies focused on decarbonisation of the energy mix and consolidating our leadership in renewable energy, smart grids and clean technology, and is progressing with its commitment to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Furthermore, it is working to participate in domestic and international institutions, entities and events to support the definition of climate policies and promote the significant participation of the private sector, contributing with analyses and positions on decarbonisation strategies.

Iberdrola has once again registered its footprint with the Carbon Footprint, Carbon Offset and Carbon Dioxide Absorption Projects Register of the Spanish Ministry for Ecological Transition (*Ministerio para la Transición Ecológica*) (MITECO).

The main source of direct emissions, which contribute to the company's Greenhouse Gases (GHGs), is the emission of CO₂ arising from combustion at the thermal generation plants.

Other atmospheric emissions deriving from the combustion of fossil fuels are NO_x, SO₂ and particulates. These are trending downward thanks to improvements in combustion processes.

More information is available in the [climate change and emissions](#) section of the website.

Leaders against Climate Change

The electric industry plays a key role in achieving the purpose set out in the historic Paris Agreement to limit the increase in the planet's temperature to below 2° C. The Iberdrola group, a world leader in the fight against climate change (goal 13 of the Sustainable Development Goals (SDGs)) and an active participant in the various Climate Conferences, is fully aligned with this international agreement. Iberdrola is publicly committed to maintaining its position as one of the leading European companies with the lowest CO₂ emissions per kWh produced.

Iberdrola has thus set itself an environmental goal to reduce the intensity of its CO₂ emissions to 50 % below those of 2007 (to below 150 grams of CO₂ per kWh) by 2030, and to be carbon-neutral by 2050. These goals have been recognised as being based on science in accordance with the Science Based Targets initiative (SBTi).



Carbon neutral by 2050

The strategy to achieve this target is based on gradually reducing the intensity of GHG emissions through a commitment to close its last two coal plants and continuing to pursue electricity generation based on renewable sources, progressively introducing more efficient and less carbon-intensive technologies at existing facilities, and improving the energy efficiency of its activities.

In its commitment to maintain a position of leadership in the fight against climate change, Iberdrola has established the following foundations for action:

Foundations for Conduct

1. Contribute to the mitigation of climate change and to the decarbonisation of the energy model.
2. Support international climate change negotiation processes and significant private sector participation in the global agenda.
3. Maintain global leadership in renewable energy, smart grids and efficient technologies
4. Integrate climate change into internal decision-making processes as well as in the analysis and management of long-term risks for the group.
5. Actively foment a culture that promotes the efficient and responsible use of energy.
6. Promote climate training and awareness-raising among stakeholders and the adoption by suppliers of similar policies.

68 % of the group's total installed capacity was emission free by year-end 2018. Some of the milestones reached during the year include the conclusion of the STAR Project for digitalization of networks in Spain, the inauguration of the Wikinger offshore wind farm, which will avoid the annual emission of almost 600,000 tons of CO₂, and the sale of conventional generation assets in the United Kingdom, which makes ScottishPower the first 100 % renewable energy company in this country.

Commitment and raising awareness against Climate Change

During 2018 Iberdrola has shown clear leadership in the private sector's participation in the principal milestones of the global climate agenda, including: the Katowice Climate Change Conference (COP 24), the events associated with the United Nations General Assembly, the activities of the *Marrakech Partnership for Global Climate Action* and the various phases of the *Talanoa Dialogue*.

The *Talanoa Dialogue* is a space for debate designed to encourage the participation of governments and civil society in the achievement of the climate goals agreed to at the 2015 Paris Conference. Iberdrola is the only Spanish company and the only energy company present at the debates both during the technical and political phase of this Dialogue, having also participated in the organisational sessions at the European level. On all these occasions, the company has offered a constructive view⁵⁷ regarding the opportunities arising from compliance with the climate goals through a sustainable energy model.

Iberdrola's support for an ambitious focus on decarbonisation of the economy became quite visible in a [public position paper](#) submitted by the *Corporate Leaders Group at the Climate Action Summit in San Francisco*. In this Declaration, its members (including Iberdrola) supported climate policy frameworks that will lead to an economy with net zero emissions by 2050. Support for this Declaration is in addition to a multitude of public positions within the framework of the various organisations with which we work (*We Mean Business, World Business Council for Sustainable Development, World Economic Forum, etc.*) and those promoted by governments or international bodies (e.g. the Support for the Electro-Mobility Declaration⁵⁸ launched by the COP Presidency).

In the area of awareness-raising, we know that fight against climate change, and all that it entails, is the work of all of us. Achieving it will require greater awareness and an increased disposition towards action by all of society's players. As part of this commitment, in 2016 Iberdrola included a *Plan to Raise Social Awareness on Climate Change* as an additional linchpin of its action for the climate, which it has since been carrying out with various activities directed towards different public audiences.

This plan consists of four main focus points for action to be implemented globally:

- 1) internal action directed towards employees,
- 2) external communication through the development of specific products, climate awareness-raising events and dissemination activities,
- 3) actions directed towards youth due to their particular importance as present and future consumers, and
- 4) establishment of alliances with the public and private sector as an accelerator and enhancer of action.

The most notable activities performed during 2018 include:

- A global online course on climate change, its causes and solutions, which was completed by more than 16,150 employees by its close in June 2018.
- Together with the youth and student association AIESEC, we have carried out the Climate Volunteers programme, a revolutionary experience in which we gave the opportunity to 29 youth from the various countries in which Iberdrola does business to live a global volunteer experience, working on social projects relating to climate action in Brazil, Colombia and Costa Rica.
- On-site school workshops on climate change by Iberdrola volunteers, more than 150 of which were presented during the 17-18 school year, reaching approximately 6,000 students in Spain, Mexico and Brazil.
- Technical advice and support on the dissemination of the documentary "Vigilantes del Planeta" (Vigilantes for the Planet), which was broadcast on various Spanish television stations and in various countries of the Americas, and was seen by more than one million viewers in 2018.
- Collaboration with the Centro Superior de Estudios de la Defensa Nacional (CESEDEN) in preparing a Strategy Workbook focused on climate change and its impact on defence⁵⁹.

⁵⁷ Iberdrola's formal contribution to the Talanoa Dialogue is available at the following link: <https://unfccc.int/documents/65018>

⁵⁸ <https://cop24.gov.pl/PRESIDENCY/INITIATIVES/DRIVING-CHANGE-TOGETHER-PARTNERSHIP/>

For the third consecutive year, the *Moving for Climate NOW* awareness-raising initiative took place, organised by Iberdrola and Red Española del Pacto Mundial (Spanish Global Compact Network). This third year, the electric bicycle route covered 650 km from Vienna to the Katowice COP24 conference, where the cycling team, made up of more than 40 people from various organisations and countries, delivered a statement with a call to action and climate aspirations to the authorities of the UN Climate Change Secretariat and of the COP24.

As a result of all these activities, the organisation InfluenceMap (a British non-profit organisation) has once again put Iberdrola in the A-List of positive global leaders on climate change in its 2018 report. InfluenceMap notes the active and positive pressure of Iberdrola on the energy and climate policies of the European Union, also noting its desire to reduce the EU's GHG emissions in line with the objectives of the Paris agreement, as well as to defend the financial instruments helping to finance the transition towards renewable energy.

Another recognition of this work was the award given to Iberdrola by the *Climate Reality Project Awards* in the "Companies" category for its valiant efforts in the fight against climate change and for putting this issue on the first line of the social agenda.

Intensity of greenhouse gas emissions

The intensity of CO₂ emissions is calculated based on direct emissions from the production facilities [see "Direct greenhouse gas emissions. Scope 1 (per GHG Protocol)" below] divided by the group's net output, including steam. The following table shows this intensity.

305-4

| Intensity of CO ₂ emissions | 2018 | 2017 | 2016 |
|---|-------|-------|-------|
| Specific emissions from global mix (kg/MWh) | 163 | 187 | 177 |
| Specific emissions from global mix (kg/€) ⁶⁰ | 0.694 | 0.854 | 0.908 |

In 2018, CO₂ emissions per MWh generated remained among the lowest among domestic and international energy companies. It should be noted that Iberdrola's emissions intensity in Spain was 82 kg/MWh in 2018.

⁵⁹ http://www.ieee.es/en/publicaciones-new/cuadernos-de-estrategia/2018/Cuaderno_193.html?_locale=en

⁶⁰ Direct emissions from energy generation facilities (305-1) compared to net revenue in €.

Inventory of Greenhouse Gas Emissions (GHGs)

Iberdrola's inventory of emissions is calculated using the emissions set forth in disclosures 305-1, 305-2 and 305-3. In April 2018, for the ninth consecutive year, Aenor verified 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 approval of this report) to be submitted for verification in 2019 pursuant to the *Greenhouse Gas Protocol* of the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI).

| CO ₂ equivalent emissions to be verified in 2019 (t) | Spain | United Kingdom | United States | Brazil | Mexico | Total |
|---|-------------------------|----------------|---------------|-----------|------------|-------------------|
| Scope 1: Direct emissions | 4,958,842 | 2,242,114 | 1,202,792 | 1,310,724 | 14,930,626 | 24,645,098 |
| Scope 2: Indirect emissions | 1,081,958 | 532,699 | 377,332 | 486,073 | 1,773 | 2,479,834 |
| Scope 3: Other indirect emissions | 1,581,743 ⁶¹ | 3,343,814 | 9,101,788 | 4,473,919 | 2,872,670 | 21,373,934 |

Updated information is available in the [Greenhouse Gas \(GHG\) Inventory](#) on the corporate website.

Direct greenhouse gas emissions. Scope 1 (per GHG Protocol)

Direct emissions are those from sources of GHGs that are owned or controlled by the company. They include:

- Emissions from electric power generation facilities (fuel consumption).
- Emissions from non-generation facilities (storage of gas and sludge drying).
- Fugitive emissions of methane (CH₄) (storage and transport of natural gas).
- Fugitive emissions of sulphur hexafluoride (SF₆) 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.

The emission factors used in calculating each of these emissions are obtained from official sources.

⁶¹ Information on energy sold is not available as at the date of approval of this report.

Iberdrola has reduced its direct emissions (Scope 1) by 8 % over the last two years⁶² from 26,691,055 to 24,645,098 t CO_{2eq}. This is mainly due to the reduction of emissions at the thermal generation plants, which decreased 8.3 % since 2016, as shown in the following table:

305-1

| CO ₂ emissions at production facilities Scope 1 (t) | 2018 | 2017 | 2016 |
|---|-------------------|--------------------------------|-------------------|
| Thermal generating plants ⁶³ | 20,329,419 | 23,027,444 | 22,812,513 |
| Cogeneration | 4,005,405 | 3,693,748 | 3,728,577 |
| Total | 24,334,824 | 26,721,192⁶⁴ | 26,541,089 |

68.2 % of the group's installed capacity is emission-free. Direct emissions other than the above emissions from production facilities are less than 1 % of the total of Scope 1.

305-1

| Other Scope 1 emissions (t CO _{2eq}) in 2018 | 2018 | Source of emission factors |
|--|----------------|--|
| Non-generation emissions (Gas storage and sludge drying) | 44,858 | DEFRA ⁶⁵ : United Kingdom. |
| CH₄ Fugitive Emissions (Gas storage and transmission) | 178,519 | IPCC ⁶⁶ |
| SF₆ Fugitive Emissions (Electricity distribution) | 35,340 | IPCC |
| Emissions at buildings (Fuel consumption) | 10,126 | MITECO: Spain. DEFRA: United Kingdom, Mexico and Brazil. EPA ⁶⁷ : United States, Mexico and Brazil. |
| Emissions from mobile combustion (fleet vehicles) | 30,181 | DEFRA: Spain and United Kingdom. EPA: United States, Mexico and Brazil. |
| Total | 299,024 | |

For more information, go to the [climate change and emissions](#) section of the corporate website.

Indirect greenhouse gas emissions. Scope 2 (per GHG Protocol)

Indirect emissions are those emissions deriving from the company's activity but generated by other entities, including emissions from the generation of electricity acquired for the company's consumption. These emissions are:

- Emissions associated with the consumption of electric energy by standby systems during shutdowns at the thermal, renewable and nuclear plants and during pumping at the hydroelectric plants.
- Emissions associated with the consumption of electricity in buildings.
- Emissions associated with network losses.

The emission factor of the generation mix of the respective country is used to calculate CO₂.

- Spain: Red Eléctrica de España

⁶² Considered the base year for calculating the greenhouse gas emissions inventory.

⁶³ The emissions data for the thermal generating plants includes the consumption of an auxiliary group of nuclear plants, which is not included in the breakdown of Annex 3.

⁶⁴ Data updated in the verification of the GHGs.

⁶⁵ DEFRA: Department for Environment, Food and Rural Affairs (United Kingdom).

⁶⁶ IPCC: Intergovernmental Panel on Climate Change.

⁶⁷ EPA: Environmental Protection Agency (United States).

- United Kingdom: DEFRA
- United States: U.S. Energy Information Administration
- Mexico: SEMARNAT⁶⁸
- Brazil: Ministry of Science, Technology and Innovation for Brazil

There will be work in 2019 on the additional calculation of the footprint according to the "market based" methodology as requested by some environmental experts.

Iberdrola has reduced its direct emissions (Scope 2) by 45 % over the last two years⁶⁹ from 4,503,670 t CO_{2eq} to 2,479,834 t CO_{2eq}. This is mainly due to the improvement in efficiency of the facilities and distribution networks made in recent years.

305-2

| Scope 2 emissions (t CO _{2eq}) | 2018 | 2017 ⁷⁰ | 2016 |
|--|------------------|--------------------|------------------|
| Emissions associated with network losses. | 1,763,941 | 2,464,981 | 3,714,179 |
| Emissions from consumption of electric energy during shutdowns and pumping | 666,791 | 897,732 | 749,628 |
| Emissions associated with the consumption of electricity in buildings | 49,101 | 52,484 | 39,863 |
| Total | 2,479,834 | 3,415,197 | 4,503,670 |

More information is available in the [GHG Report](#), which is audited annually under the ISO 14064 standard.

Other indirect greenhouse gas emissions. Scope 3 (per GHG Protocol)

Iberdrola has incorporated the life cycle perspective into its management model, which includes knowledge of the long-term impacts of the value chain. New elements are thus included each year in the calculation of its Scope 3, indirect emissions that are a result of the company's activities at sources not owned or controlled thereby. They include the following:

- Emissions associated with the transport of employees for work purposes (hire vehicles and personal vehicles, planes, trains and ferries) (Category 7 GHG Protocol).
- Emissions associated with the transport of employees *in itinere*, from their home to their work place (Category 6 GHG Protocol).
- Emissions associated with the transport of fuel (Category 4 GHG Protocol).
- Emissions associated with the supply chain (Category 1 and 2 GHG Protocol).
- Emissions associated with energy purchased from third parties for sale to end customer (Category 3 Activity D GHG Protocol).
- Emissions arising from upstream (suppliers) and downstream (customers) activities (Category 3 Activity A GHG Protocol). Excludes transport of fuel, as this is specified in Category 4 and emissions scope 1 and 2.

The emission factors used in calculating each of these emissions are obtained from official sources. More information is available in the [GHG Report](#), which is audited annually under the ISO 14064 standard.

⁶⁸ SEMARNAT: Secretaría de Medio Ambiente y Recursos Naturales (Secretary of the Environment and Natural Resources) in Mexico.

⁶⁹ Considered the base year for calculating the greenhouse gas emissions inventory.

⁷⁰ Data updated since those published in the 2017 Sustainability Report according to audit performed in 2018.

Scope 3 emissions were the following in 2018:

305-3

| Scope 3 emissions (t CO _{2eq}) | 2018 | 2017 | 2016 |
|--|-------------------|-------------------|-------------------|
| Emissions from employee business travel | 15,907 | 21,033 | 15,311 |
| Emissions associated with the transport of fuel ⁷¹ | 71,290 | 92,167 | 88,743 |
| Emissions associated with the supply chain ⁷² | 1,789,382 | 1,636,912 | 705,499 |
| Emissions associated with the transport of employees from their home to their work place ⁷³ | 62,288 | 79,703 | 70,495 |
| Emissions associated with energy purchased from third parties for sale to end customer ⁷⁴ | 15,864,855 | 18,761,881 | 17,457,573 |
| Upstream (WTT) emissions from fuel acquired and consumed | 3,570,211 | 3,893,731 | N/Av. |
| Total | 21,373,934 | 24,485,427 | 18,337,621 |

Emissions from employee travel per employee in 2018 were 0.45 t CO_{2eq}.

Reduction of GHG emissions

Initiatives to reduce emissions are undertaken through a broad range of products and services promoting energy efficiency and savings. Some examples of actions taken in 2018 are given below:

305-5

| Areas | Actions and initiatives | CO ₂ avoided 2018 (t) |
|--------------------|--|----------------------------------|
| Renewables | Primary energy savings through the production of renewable energy | 16,122,652 |
| Cogeneration | Savings through the supply of heat energy (steam) within the group | 559,326 |
| Network efficiency | Savings from distribution network efficiency in Spain, the United Kingdom and Brazil | 114,023 |
| Commercial | Energy savings and efficiency from green products and services (Spain, United States and Brazil) | 2,683,218 |
| Group | Use of videoconferencing (t CO _{2eq}) | 5,450 |
| Total | | 19,484,669 |

There were 50,923 videoconferences in 2018 that avoided employee travel, entailing a reduction of approximately 5,450 t of CO_{2eq}.

In total, the emission of 19,484,669 t CO₂ was avoided, equal to the amount of CO₂ absorbed by 975 million trees over the course of a year⁷⁵.

The operating regimen of the group's production facilities led to the level of CO₂ emissions described in the section "Direct greenhouse gas emissions. Scope 1 (per GHG Protocol)". The section "Reduction of energy consumption"⁷⁶ and "Direct greenhouse gas emissions. Scope 2 (per GHG Protocol)" provide additional information in this area.

71 Calculated for the transport of fuel by motorway, train and ship. Fuel transport activities in 2018 only occurred in Spain.

72 Estimated based on the Supplier Awareness and Greenhouse Gas Measurement Campaign that Iberdrola sends to the group's suppliers.

73 Estimated using a survey is sent each year to the employees of the Iberdrola group in order to record their emissions through an emissions calculation tool.

74 The energy purchased for sale to the end customer is calculated based on the difference between the energy supplied at market prices and the internally produced energy. The emissions from such energy result from CO₂ emissions obtained by applying the emission factor of the generation mix of the corresponding country and adding it to the upstream emissions of such energy, using the DEFRA WTT (Well To Tank) emission factor.

75 The estimated amount of CO₂ absorbed by an average tree 20 kg. of CO₂ per year.

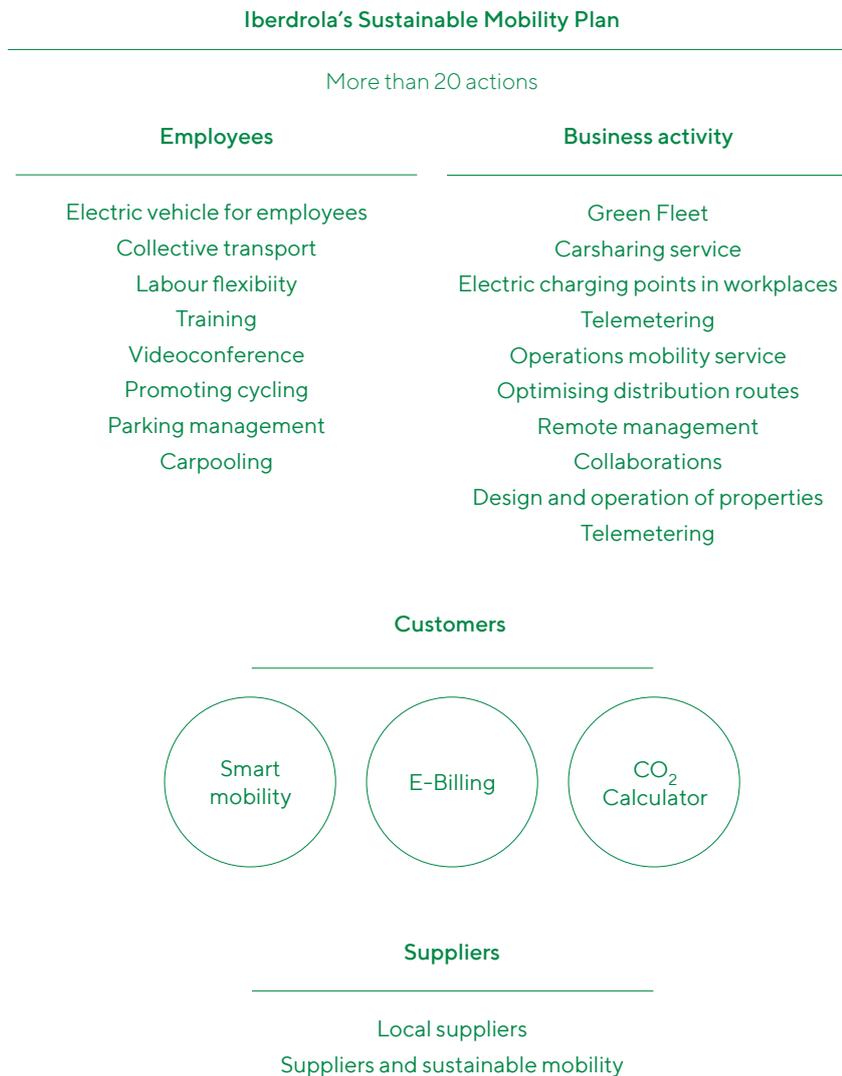
76 In addition to the reductions described in "Reduction of energy consumption", the group's nuclear production prevented emissions of 5,089,685 t CO₂, taking into account the emission mix. Source: RRE.

Sustainable Mobility Plan for employees

A Sustainable Mobility Plan has been developed in order to reduce emissions relating to employee travel and travel from home to work, contributing to a rational use of the means of transport. This plan is included in the commitment made by the company in its *Sustainable Management Policy*.

The inclusive nature of the programme involves employees, the business activity, customers and suppliers, covering approximately 23 specific actions in which the company seeks to strengthen its wager on sustainability.

These initiatives include Iberdrola’s launch of a new edition of the *Electric Vehicle for Employees* programme in Spain and the United Kingdom and the pilot project launch in the United States, which consists of special advances and financial assistance for the purchase of electric vehicles. Thanks to this initiative, the local emission of 277 t CO_{2e} in employee travel to the work place in Spain and the United Kingdom was avoided in 2018.



Allocation of CO₂ emissions allowances or equivalent

EU5

Only the generation facilities located in Europe are subject to an emission rights trading system, for which reason this indicator does not affect the thermal generation facilities in Mexico, Brazil or the United States.

The facilities located in Europe (Spain and United Kingdom) have not received free trading rights since 2013, for which reason they have to acquire the necessary rights at auction to offset the emissions produced.

Only the Tarragona Power facility has been assigned 24,394 emissions rights, within the emissions trading system (ETS) market.

After closing its last coal plant in the United Kingdom, Iberdrola also intends to close the last two coal facilities that are currently in operation in Spain.

Other atmospheric emissions

305-7

Emissions⁷⁷ of sulphur dioxide (SO₂), nitrogen oxides (NO_x) and particulate matter are also created by the burning of fossil fuels. The changes in the generation profile discussed in the emissions section tends to reduce them 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 improvements in the combustion process and in the dismantling of less environmentally-efficient units.

To comply with *Directive 2001/80/CE*, which limits the atmospheric emissions of SO₂, 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.

Emissions of oxides of nitrogen (NO_x)

| NO _x emissions (t) | 2018 | 2017 | 2016 |
|-------------------------------|---------------|---------------------|---------------|
| Generating plants | 6,549 | 7,613 ⁷⁸ | 12,934 |
| Cogeneration | 6,202 | 8,539 | 8,037 |
| Total | 12,751 | 16,152 | 20,971 |

| Intensity of NO _x emissions (kg/MWh) | 2018 | 2017 | 2016 |
|---|-------|-------|-------|
| Specific emissions from global mix | 0.085 | 0.113 | 0.140 |

⁷⁷ These emissions are obtained either by direct measurement or through conversions of fuel consumption using emission factors from official sources.

⁷⁸ The reduction in 2016 is due to the closing of the Longanet thermal plant.

Emissions of sulphur dioxide (SO₂)

| Sulphur dioxide (SO ₂) emissions (t) | 2018 | 2017 | 2016 |
|--|--------------|--------------|--------------|
| Generating plants | 2,733 | 4,143 | 6,510 |
| Cogeneration | 782 | 1,249 | 578 |
| Total | 3,515 | 5,392 | 7,088 |

| Intensity of SO ₂ emissions (kg/MWh) | 2018 | 2017 | 2016 |
|---|-------|-------|-------|
| Specific emissions from global mix | 0.023 | 0.038 | 0.047 |

Emissions of particulates

| Particulate emissions (t) | 2018 | 2017 | 2016 |
|---------------------------|------------|--------------|--------------|
| Generating plants | 745 | 1,114 | 1,067 |
| Cogeneration | 141 | 158 | 141 |
| Total | 886 | 1,272 | 1,208 |

| Intensity of particulate emissions (kg/MWh) | 2018 | 2017 | 2016 |
|---|-------|-------|-------|
| Specific emissions from global mix | 0.006 | 0.009 | 0.008 |

Emissions of ozone-depleting substances

305-6

Ozone-depleting substances have a very limited presence within the Iberdrola group, and are located primarily in fire-extinguishing equipment (Halon) and some cooling systems (chlorofluorocarbons, CFCs). 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 identified by the volumes used to recharge the equipment. Although Iberdrola's goal is to eliminate the presence thereof in its facilities, these substances continue to be used where their use is authorised and a better market substitute has not been found. Thus, 39.5 kg of CFC-11 equivalent was recharged in 2018, consisting of: 34.4 kg of CFC-11 equivalent in Spain and 5.1 kg in Mexico.

Emissions of mercury (Hg) and other compounds

The emission of mercury (Hg) during 2018 from the combustion of coal was 29.8 kg.

Furthermore, 335.03 t of volatile organic compounds (VOCs) were emitted in Spain, the United Kingdom, Mexico and the United States; and 4.30 kg of hazardous air pollutants (HAPs) were emitted in the United States.

Rational use of water

GRI 303

Water is a basic and irreplaceable natural resource in many of Iberdrola's activities. The company's awareness of this dependency and of the risks arising from water shortages has led it to set itself the objective of ensuring an increasingly rational and sustainable use of this resource.

The main actions taken by the group for a more sustainable use of water are:

- Limiting the volume of withdrawal and consumption of inland water in all technologies.
- Establishing and controlling limits on 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.

Total water withdrawal by source

The following table breaks down the group's total water withdrawal by source:

303-1

| Source of gross water withdrawal (hm ³) | 2018 | 2017 | 2016 |
|---|--------------|--------------|--------------|
| Surface water (sea, rivers, lakes, reservoirs, wetlands) | 1,966 | 1,962 | 1,839 |
| Groundwater | 1 | 2 | 1 |
| Rainwater directly withdrawn and stored | 0 | 0 | 0 |
| Purified wastewater | 15 | 15 | 13 |
| Municipal water supply or supply from other water companies | 4 | 5 | 6 |
| Total | 1,986 | 1,984 | 1,859 |

Total water withdrawal is the sum of the various sources, and is obtained by direct measurement (flowmeters) or by estimating the performance of the water withdrawal pumps.

The 99.5 of total water withdrawn is used in cooling process and other auxiliary services of the generation plants. The rest of the water withdrawn (0.5 %) is consumption in offices and other uses.

The group's use of water is summarised in the following table:

| Water use ⁷⁹ | 2018 | 2017 | 2016 |
|--|------|------|------|
| Total water use (hm ³) | 89 | 80 | 82 |
| Water use/overall production (m ³ /GWh) | 610 | 597 | 573 |
| Water use/overall sales (m ³ /\$k) | 2.14 | 2.15 | 2.35 |
| Water use/overall sales (m ³ /€k) | 2.53 | 2.56 | 2.79 |

⁷⁹ Use of water is defined as water withdrawn minus water discharged into the natural environment.

The following shows the total intake and discharge of water at the thermal generation facilities (coal, combined cycle, nuclear and cogeneration) in 2018.

| Water use in generation (hm ³) | Total thermal generation 2018 |
|---|-------------------------------|
| Withdrawal | |
| Withdrawal for standby process and services | 12 |
| Withdrawal for cooling | 1,973 |
| Discharge | |
| Evaporation of water used for cooling | 80 |
| Discharge into receptor environment ⁸⁰ | 1,897 |
| Water use (withdrawal less discharge)⁸¹ | 87 |
| Percentage of water returned | 96 % |

After use in cooling and other auxiliary processes, 96 % of the water withdrawn at thermal generation and cogeneration facilities returns to the receptor environment in a physical/chemical condition allowing it to be utilised by other users without affecting the natural environment. The other 4 % has been consumed and/or retained in the various processes, or returned to the environment in the form of steam generated in the cooling systems of the thermal power plants.

The following table shows the different sources of withdrawal for cooling:

| Source of withdrawal of cooling water | Gross water withdrawal (hm ³) ⁸² 2018 | Gross water withdrawal (%) 2018 |
|---------------------------------------|--|---------------------------------|
| Sea and salt water | 1,229 | 62 % |
| Rivers and groundwater | 336 | 17 % |
| Lakes and reservoirs | 395 | 20 % |
| Purification of wastewater | 9 | 1 % |
| Total | 1,969 | 100 % |

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

303-2

No withdrawals are made that significantly affect water resources or habitats relating to the water withdrawal points. The Iberdrola group does not have any plants located in areas considered to have water stress. As can be seen in the preceding table, 62 % of the water withdrawn is salt-water or brackish water. These areas can be seen in the [FAQ](#).

80 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.

81 Withdrawal less discharge into the receptor environment is considered water use.

82 Gross water withdrawal: total volume of gross water withdrawal for cooling.

Water cycle in hydroelectric generation⁸³

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

| Water use in hydroelectric generation (hm ³) | 2018 | 2017 | 2016 |
|--|-----------------------|----------------------|---------|
| Net water use | 245,918 ⁸⁴ | 49,824 | 101,368 |
| Volume of pumped water | 2,710 | 2,807 | 3,623 |
| Annual increase of reservoir water | 2,547 | -1,179 ⁸⁵ | -1,941 |

Additional information, such as withdrawal locations and discharges from the thermal facilities, can be found at [Water use](#).

Water reused

303-3

At the thermal plants with closed or semi-open cooling systems, water withdrawn is reused in the cooling towers an average of approximately three to five cycles per m³ before being purged. The total volume of this reuse was approximately 2,253 hm³ in 2018.

Water recycled

At some of the thermal generation plants in Spain, Mexico and the United States, waste water is also used in their cooling systems.

| Use of waste water or recycled water in cooling systems | | |
|---|-----------------|--------------------|
| | hm ³ | % of total country |
| Mexico | 11,397 | 4 % |
| United States | 3,284 | 95 % |
| Spain | 79 | 0.01 % |

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

Effluents management

GRI 306

Withdrawal, use and return to the environment is the water cycle needed for the generation of power at the thermal generation plants. The quality of this returned effluent is strictly controlled and is kept below the maximum acceptable values established by the government based on the characteristics of the withdrawal and discharge point (sea, reservoir or river).

Ensuring compliance with law and seeking methods to minimise the risk of spills is applicable to all of Iberdrola's facilities, including generating plants, renewable facilities and distribution substations.

Iberdrola has treatment plants and water quality measurement systems at its facilities that allow it to ensure a return to the environment (sea, reservoir or river) in the desired condition, reducing the risk of polluting discharges through the use of preventive control tools:

⁸³ Hydroelectric generation in the United States, which is 1.15 % of installed hydro capacity, is not included (information not available).

⁸⁴ 2018 was a year with high levels of precipitation and high hydroelectric generation in Spain.

⁸⁵ Substantially reduced net water volume due to low precipitation in Spain during 2017.

- Consolidated systems for reporting anomalies and incidents in order to establish plans to minimise spillage risks, by implementing predictive, preventive and corrective actions that ensure the proper condition of the water.
- Certificates in ISO 14001 and EMAS, as tools for continuous improvement.

The company also has emergency plans and protocols to ensure proper and rapid response in the event of discharges or spills with negative effects on the surrounding environment.

The thermal power-generation plants treat residual water before discharging it into the natural receptor environment.

- Water from the process undergoes physicochemical treatment, which includes the separation of hydrocarbons and temperature monitoring.
- 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 into the receptor environment, with continuous monitoring of various parameters (temperature, turbidity, conductivity, etc.). An accredited organisation analyses these discharges and regularly reports to the government.

In Mexico, the combined cycles have separate and independent networks for industrial and sanitary water. The latter receive final treatment in biodigesters whereas industrial water is discharged into the natural environment or sent to municipal treatment plants or to the customer for treatment. 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.

The data regarding the discharge of water into the environment for all facilities and offices is as follows:

306-1

| Total water discharged (hm ³) | 2018 | 2017 | 2016 |
|---|--------------|--------------|--------------|
| Ocean | 1,221 | 1,289 | 1,171 |
| Rivers | 325 | 249 | 274 |
| Lakes and reservoirs | 348 | 360 | 326 |
| Purification network | 6 | 6 | 5 |
| Total | 1,900 | 1,904 | 1,776 |

Water collection and discharges by the facilities during 2018 were within the limits indicated by the relevant comprehensive environmental permit for each facility, and no anomalies were detected that could materially affect water resources or related habitats.

306-5

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 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 disclosure 304-3).
- In Mexico the discharge from the Altamira III and IV plant has been re-directed over the Garrapatas estuary, which is 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 after the construction of a pipeline, with the resulting desalination of the ecosystem.

For more information, see the [Water Usage](#) section of the corporate website.

Waste management

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



GRI 306

Iberdrola's goal is to reduce the generation of waste for any process or activity (construction, operation, maintenance of facilities and work centres), and to prioritise recycling and the reuse thereof. Iberdrola commits to the concept of "circular economy" for all players within its activities, having joined the Circular Economy Pact of the Spanish Ministry for Ecological Transition (*Ministerio para la Transición Ecológica*) (MITECO).

The management of waste conforms to the following principles:

- Minimise the generation of waste at source.
- Maximise the reuse, recycling and recovery of waste.
- Promotion of awareness-raising campaigns regarding the minimisation of waste.
- Specific treatment and management of hazardous waste.

306-2

Two types of waste are differentiated within the Iberdrola group's activities:

- Waste arising during the energy production process.
- Waste generated at facilities and offices.

The various areas and businesses of the company perform activities to minimise waste and improve waste management, within the framework of the certified environmental management systems.

Waste from the production process

1. Fly ash and slag

In the generation process at coal plants, fly ash and slag are the most typical types of waste. The following table shows the production and reuse thereof:

| Production and reuse of ash at Iberdrola's thermal power plants | 2018 | 2017 | 2016 |
|---|--------|---------|---------|
| Ash produced (t) | 92,440 | 174,523 | 256,399 |
| Ash reused (t) | 61,459 | 76,034 | 87,260 |
| Percentage of product reused (%) | 66 | 44 | 34 |

Reused ash was used for the production of cement as filling in infrastructure work and to produce compost.

2. Nuclear waste

Further to its commitment to transparency of information for Stakeholders, Iberdrola provides additional information on its nuclear plants (*General Radioactive Waste Plan*, Enresa⁸⁶). The processes of reduction, reuse, segregation, recycling and recovery is applied to radioactive waste in the safe management thereof.

Iberdrola's nuclear power plants are included within the *Environmental Radiological Monitoring Programme* of the Nuclear Safety Council of Spain, 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 country⁸⁷.

Low-low level and low-medium level radioactive waste generated during 2018 is shown in the following table:

| Hazardous waste generated at nuclear facilities 2018 | Net output (GWh) | Low-low level waste | | Low-medium level waste | |
|--|------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | | Produced (m ³) | Produced (m ³ /GWh) | Produced (m ³) | Produced (m ³ /GWh) |
| Cofrentes nuclear plant | 8,823 | 32 | 0.004 | 163 | 0.018 |
| Partially-owned nuclear plants | 14,713 | 255 | 0.017 | 311 | 0.021 |

As to high level waste, 99 spent fuel assemblies were generated during 2018.

⁸⁶ Enresa: Empresa nacional de residuos radioactivos, S.A.

⁸⁷ For more information, see the technical report issued by the Nuclear Safety Council "Environmental radiological monitoring programmes. 2014 Results" ("Programas de vigilancia radiológica ambiental. Resultados 2014"), available at www.csn.es.

Other waste

1. Hazardous waste

Hazardous waste that is generated 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 (t) | 2018 | 2017 | 2016 |
|--------------------------------|--------|-------|--------|
| Produced | 13,169 | 9,193 | 10,579 |
| Deposited and/or incinerated | 4,161 | 3,023 | 2,148 |
| Recovered, recycled, reused | 8,839 | 7,288 | 7,353 |

Hazardous waste produced includes PCBs, batteries, dissolvents, lighting, etc. The company has minimisation, reutilisation and recycling plans as well as awareness-raising campaigns to promote good environmental practices by its employees.

There are residual PCBs at the group's facilities in Spain, the United States and Brazil. However, no pyralene transformers with more than 500 ppm of PCBs remain. The company's policy is to eliminate equipment containing PCBs from its facilities. 168 t of oil with pyralene in Spain, 2 t in the United States and 135 t in Brazil were managed during 2018.

2. Non-hazardous waste

| Non-hazardous waste generation (t) | 2018 | 2017 | 2016 |
|------------------------------------|-----------------------|-----------|---------|
| Produced ⁸⁸ | 549,146 ⁸⁹ | 1,053,671 | 978,845 |
| Deposited and/or incinerated | 247,256 | 543,254 | 443,752 |
| Recovered, recycled, reused | 294,845 | 449,920 | 470,832 |

Non-hazardous waste produced includes inert waste from construction and demolition, 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.

To promote the reuse of waste, Iberdrola has been working for several years on the optimisation of the management and recovery in value thereof, selling it to companies that put it back on the market after transforming it. During 2018, this exercise produced income of 2,449,758 euros from the sale of non-hazardous waste.

⁸⁸ Total value of waste produced, also includes the total value of waste managed.

⁸⁹ Due in large part to the reduction in inerts because of lower construction activity in the United Kingdom.

Protection of biodiversity

Contribution to SDGs of the performance described by the indicators of this section



GRI 304

Biodiversity is a fundamental component of natural capital, and can be affected by the company’s activities. The company considers it to be one of the fundamental assets for the Iberdrola group’s creation of value, and a fundamental asset for all of its Stakeholders.

During their respective life cycles, generation, transmission, distribution and sales activities cause interactions with various ecosystems, landscapes and species. Therefore, these ecosystems occupy a leading role in the business strategy through the *Biodiversity Policy*, approved by the Board of Directors, defining four priority lines of action:

- Encouragement of the protection, preservation and sustainable use of natural capital.
- A preventive focus on the environmental impact evaluations of new projects and the adoption of best practices throughout the entire life cycle.
- Engagement with the Stakeholders, considering their needs and expectations regarding biodiversity for the integration thereof in action plans, and collaborating with research projects.
- Commitment to internal and external training, awareness-raising and communication regarding the significance of biodiversity.

Iberdrola with Biodiversity

Objective

Preserve and recover the ecosystems associated with our activities

In line with group’s plans in affected areas to half the loss of biodiversity

Approach

Knowledge and awareness

Action

Commitment

Various instruments are used to carry out these lines of action, including:

- *Biodiversity Policy*, applicable in all of the geographic areas in which the Iberdrola group does business, the basic principles of which are developed by various lines of action.
- *Stakeholder Relations Policy* and the company's Stakeholder Relations Model.
- *Corporate Environmental Footprint*, allowing for evaluation of the group's impact on biodiversity.
- The environmental management system of the group and its organisations, certified under ISO 14001 or EMAS, which implement biodiversity commitments in action plans establishing the monitoring and control thereof.
- Environmental committees with the environmental heads of the organisations dealing with biodiversity risks and opportunities.
- Biodiversity plans based on avoiding and/or mitigating impact, restoring natural capital (if required), assessing impacts, organising the relationship with affected Stakeholders, and awareness-raising.

| Biodiversity plans | | |
|---|---|--|
| Cross-sectional plan | Sub-Plan for understanding the environment. | |
| | Sub-Plan for communication. | |
| Principal plans | Reduction of direct impacts on biodiversity | Plan for direct protection of fauna. |
| | | Plan for direct protection of flora. |
| | | Plan for improvement of habitats. |
| | Reduction of indirect impacts on biodiversity | Plan for edaphic environment management. |
| Plan for hydrological environment management. | | |

102-11

Based on the precautionary principle, Iberdrola wagers on knowledge of the environment and encouragement of the restoration of natural capital, participating in various studies to understand the behaviour of species in the habitats in which it operates, like the "Bird Migration" project⁹⁰, the objective of which is to study the migratory movements of birds in Spain, and studies focused on the assessment of eco-systemic services, like the pilot *Cumbernauld Living Landscape Pilot Project: Natural Capital Assessment*.

There is also a collaboration on preparing a Practical Guide to Ecological Restoration⁹¹, a methodological tool intended to guide decisions to encourage Ecological Restoration in actions to strengthen and recover natural capital.

Iberdrola also applies mitigation hierarchy (avoid, minimise, remediate and, as a last option, compensate) in the environmental impact assessments (EIAs) that it performs for new projects. These analyse alternatives, 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. Before beginning the process, Iberdrola consults the various Stakeholders regarding new projects and incorporates best construction practices, going beyond applicable legal requirements in each case. Afterwards, and during construction, Iberdrola continues to work together with the Stakeholders, seeking for the environmental impact to be as low as possible, and restoring the affected areas.

90 Collaborative project of Fundación Iberdrola and Sociedad Española de Ornitología, SEO/BirdLife.

91 Mola, I., Sopena, A. and de Torre, R. (editors). 2018. *Guía Práctica de Restauración Ecológica*. Biodiversity Foundation of the Ministry for the Ecological Transition. Madrid. 77 pp (available at <https://ieeb.fundacion-biodiversidad.es/content/guia-practica-de-restauracion-ecologica>)

Iberdrola identifies and evaluates the potential impacts of new projects in this way, through the EIA processes. The following links show some examples in [Spain](#), [SP Networks](#), [SP Renewables](#) and [Avangrid](#).

304-2

The following table shows the actions that might have more significant impacts during the various phases of a project:

| Actions during the phases of a facility's life-cycle | |
|---|---|
| Construction phase | Entry 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). |

Based on these actions, we can single out a number of significant potential effects on biodiversity, arising from the activities, products and services of the group:

| Potential impacts | |
|-----------------------------|---|
| General impact | Loss of habitat and species. |
| | Increase in greenhouse gases and climate change. |
| | Pollution of the atmospheric, edaphic and/or aquatic 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. |

If significant impacts are identified during the evaluation process, 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 avoidance or mitigation is not possible, remedial measures are implemented.

EU13

The following table shows the principle activities in this regard during 2018:

| Country | Technology | Actions | Results |
|----------------|---|---|--|
| United Kingdom | North Wales Wind Farms Connection Project | The planting of 13,231 m ² of forests and brushwood and planting of 8,970 m ² of brushwood is proposed. A total of approximately 7,993 m ² would be left for natural regeneration. This planting will be monitored for a period of 5 years. | North Wales Wildlife Trust has been designated to make the more than £100,000 in environmental improvements in the areas of the North Wales Wind Farms Connection. |
| | Wind farms | Continued management of the Habitat Management Plans, managing more than 93 km ² to date, with the monitoring of species like the hen harrier (<i>Circus cyaneus</i>), blackcock (<i>Tetrao tetrix</i>) and crested newt (<i>Triturus cristatus</i>). | Improvement of the conditions of the offset habitats. Example of management serving as a guide for other projects. |
| United States | Power lines and substations | The CCTP project resulted in the conversion of 0.26 acres of forest wetlands into bush and the permanent loss of 0,096 acres of wetland for the substation. To mitigate these impacts, 0.8 acres of forest wetland improvements, 0.16 acres of improvement to 160 linear feet and improvement to 1.23 acres of highland areas. Preservation of 2.19-acre mitigation area. | These improvements were completed at the end of 2018, consisting mainly of plantings. Annual reports are required to document the success of the improvements for 5 years. |
| | | 12.6 acres of wetlands were created within a 36-acre parcel to offset the elimination of portions of forest wetlands. General mitigation index of 1 : 1.5 for the cleaning of forest wetlands in NY. | The recently created wetland has areas with ponds, shrubbery and tree plantings. Annual reports are required to document the success of the improvements for 5 years. |
| | | The disturbed areas in the RARP transmission line project will be restored and planted. The additional mitigation for this project will include the conversion of forest wetlands and <1 acre of permanent fill in a wetland area. | Mitigation work will be performed in 2019. |
| | Wind farms | Continued monitoring and maintenance of habitats (grasslands, meadows, wetlands, deserts, etc.) within and around the area thereof. | Improvement of adjacent habitats and protection of associated fauna. |

| Country | Technology | Actions | Results |
|---------|------------------------------|--|---|
| Brazil | Baguari (hydroelectric) | Recovery of 1.77 km ² of forestry commenced in September 2018 | Improvement of adjacent habitats, strengthening of soil absorption capacity and reduction of risk of losses due to erosion. |
| | Corumbá (hydroelectric) | With the reforestation of 295,000 trees in 2018, there has been a total of approximately 1,300,000 trees since it began. | One also sees a significant improvement in the quality of the soil, in the physical and chemical structure, increasing the rainwater absorption ability and reduction in erosion and compacted soil layers. |
| | Dardanelos (hydroelectric) | Strengthening of natural recovery in 5 ha and reforestation of the area around the plant. | Improvement of adjacent habitats, strengthening of soil absorption capacity and reduction of risk of losses due to erosion. |
| | Baixo Iguacu (hydroelectric) | 192.1 ha will be reforested to establish connectivity with the forest areas of Iguazú National Park (<i>Parque Nacional del Iguazú</i>) (PNI) with the areas to be expropriated and reforested in the Direct Influence Area (DIA) of the Baixo Iguazu HPP, covering the biodiversity corridor. | Creating an ecological corridor to connect the remaining existing forests in the Area of Influence of the site of the National Park at Iguazú (PNI) together with the actions described in the Biodiversity Corridor Consolidation Programme at the Baixo Iguazu plant. |
| | Power lines | Reforestation of degraded areas with plants at various stages of growth. There will be compensatory reforestation with native species from the region in accordance with the environmental permits for the installation and operation of transmission lines (69 kV to 138 kV), substations (69 kV to 138 kV) and distribution networks (13.8 kV to 34.5 kV). 70,000 plants were replanted in 2018, out of the 168,000 that have been planted since 2017. | There is constant natural regeneration as a result of maintenance work connected to the presence of fragments of native vegetation on the banks of the Aguapeí river, factors that favour the recovery of a large number of native species. |

304-1

Iberdrola currently has group infrastructure in protected areas or areas with great biodiversity value, most of which was built prior to such declarations of protection by the government authorities.

| Facility | Location with respect to protected area | Affected surface area/length | Type of protection ⁹² |
|-----------------------|---|------------------------------|---|
| Spain | | | |
| Reservoirs | Inside | 30,758 ha | Biosphere reserves, Ramsar wetlands, Nature 2000 Network, national parks and nature parks. |
| Power lines | Inside | 19,314 km | Nature 2000 Network, Ramsar wetlands, National Parks, Natural Parks and Biosphere Reserves. |
| Substations | Inside | 144 units | Nature 2000 Network, Ramsar wetlands, National Parks, Natural Parks and Biosphere Reserves. |
| Transformer centres | Inside | 8,793 units | Nature 2000 Network, Ramsar wetlands, National Parks, Natural Parks and Biosphere Reserves. |
| Wind farms | Inside | 374 ha | Nature 2000 Network |
| United Kingdom | | | |
| Power lines | Inside | 3,677 km | NSA, SPA, SAC, Ramsar, NNR, SSSI. |
| Substations | Inside | 367 units | NSA, SPA, SAC, Ramsar, NNR, SSSI. |
| Transformer centres | Inside | 8,608 units | NSA, SPA, SAC, Ramsar, NNR, SSSI. |
| Wind farms | Adjacent | 3 ha | Nature 2000 Network and SAC, SSSI. |
| Wind farms | Partially inside | 9,321 ha | Nature 2000 Network and SAC, SSSI. |
| United States | | | |
| Wind farms | Inside or nearby | 0 | 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. |
| Power lines | Partially inside | 384 km | |

⁹² 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).

| Facility | Location with respect to protected area | Affected surface area/length | Type of protection ⁹² |
|----------------------|---|------------------------------|--|
| Brazil | | | |
| Power lines | Inside | 1,881 km | Environmental protection areas. |
| Substations | Inside | 19 units | Environmental protection areas. |
| Transformer centres | Inside | 4,388 units | Environmental protection areas. |
| Hydroelectric plants | Inside or nearby | 293 ha | Areas protected by Brazilian law. |
| Mexico | | | |
| Generating plant | Adjacent | 1 production centre | Environmental protection areas. |
| Wind farms | Adjacent | 1 wind farm | Environmental protection areas. |
| Greece | | | |
| Wind farms | Inside | 15.64 | Nature 2000 Network. |
| Hungary | | | |
| Wind farms | near | 1 wind farm | Near Nature 2000 Network areas. |
| Portugal | | | |
| Wind farms | Inside | 1 wind farm | Nature 2000 Network area and Natural Park. |
| Romania | | | |
| Wind farms | Near | 1 wind farm | Near Nature 2000 Network areas. |

Iberdrola identifies threatened species included in the UICN Red List and national and regional lists of the areas in which it does business through its environmental management systems and/or its monitoring programmes.

304-4

| IUCN Red List Classification | Nº especies |
|------------------------------|-------------|
| Critically endangered (CR) | 18 |
| Endangered (EN) | 74 |
| Vulnerable (VU) | 173 |
| Near threatened (NT) | 48 |
| Least concern (LC) | 247 |
| Not on UICN List | 32 |

Habitats protected or restored

304-3

Based on the needs of each facility and during the life cycle thereof, Iberdrola carries out the following:

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

The various activities commenced in 2018 or prior years and that have continued during this financial year are shown below:

Spain:

| Project/Technology | Actions | Objectives |
|--------------------|--|---|
| Power lines | Within the ALETEO project, the goal of which is to reduce the risk of damage to avifauna from pylons in protection zones, 4,127 pylons have been corrected and 6,659 are being adjusted. | Reduce the risk of damage to avifauna |
| | Performance of 132 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 1,152 preventive actions to protect fauna (modification and improvement of supporting services). | Reduce impact on fauna. |
| | Performance of 1,610 actions to improve the network to protect vegetation. | Reduce impact on flora. |
| | Management of 34.4 km ² of vegetation-covered surface to reduce the risk of fire at facilities. | |

| Project/Technology | Actions | Objectives |
|----------------------|---|--|
| Hydroelectric 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. |
| | Performance of activities to prevent pollution, improve the environment and recover/restore the natural environment around the plants, including: restoring the ecological flow; environmental adjustment of canals; and environmental recovery around the town of la Rasa (dismantling of buildings and recovery of land). | Reduce impact on biodiversity and ecosystem services. |
| | Performance of studies on feasibility of devices for ichthyofauna to pass through the Doña Loba, San Lázaro, Cernado, Vozqueimado, Casteligo and Parafita waterwheels. | Reduce impacts and avoid levels that are harmful to ichthyofauna. |
| | Replacement of auxiliary services transformers (with PCB-contaminated oil) with dry transformers. | Prevention of pollution and potential effects on flora and fauna. |
| | Maintenance and conformance of spill containment systems to prevent environmental pollution at Esla plant. | |
| Thermal plants | Collaboration of the Escombreras Combined Cycle plant with the "El Valle" Wildlife Recovery Centre in recovering birds like the bittern and kestrel for treatment and return to their natural habitat after any physical or psychic problems are treated. | Reduce impact on fauna. |
| | Perform an evaluation study of the ecological status of the Majaceite river in the area of the Arcos de la Frontera combined cycle plant using biological, hydro-morphological and physicochemical quality indicators. | Knowledge of the surroundings for proper action regarding the habitat. |
| | Performance of activities to prevent pollution, improve the environment and recover/restore the natural environment at the Lada Plant: measures to minimise outside noise, channel storm waters, research contaminated soil. | Prevention of pollution and recovery of the environment |

United Kingdom:

| Project/Technology | Actions | Objectives |
|--------------------------------|---|---|
| Thermal and gas storage plants | Implementation UK Biodiversity Action Plans (UK BAP) at each facility. E.g.: Create nesting, shelter and feeding habitat for native species. Provide habitat for nesting bird populations. Communication, enabling and monitoring of ecological activity. (More information is available at ScottishPower Wholesale Energy Markets and at www.iberdrola.com). | Recover and promote regeneration of natural habitats and of the flora and fauna characteristic of facilities' environments. |
| Wind farms | 62 activities in 20 areas included in the <i>Habitat Management Plan</i> , mainly consisting of the monitoring of birds and follow-up on reforested areas, and 39 management activities like restoration, removal of invasive species, management of vegetation by grazing, etc. | Recover and improve terrain affected by construction activities. Reduce impact on fauna. |
| Galloway (hydroelectric) | Continued monitoring by means of the installation of antennae at the Loch Doon Vaki fishing port. | Maintenance of the two fish pathways at the Tongland, Earlstoun, Loch Doon and Carsfad reservoirs allows fish like Atlantic Salmon to cross potential barriers to their migration posed by the plan's reservoirs. |
| | Management of vegetation around the substation and control and elimination of the invasive <i>Fallopia japonica</i> species. | Improvement of adjacent habitats. |

United States:

| Project/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. |
| | Conditioning of power lines. | Minimisation of the impact on the nesting and reproductive processes of the osprey. |
| | Acquiring wetlands in financial collaboration with the organisation Ducks Unlimited, via financial collaboration, deriving from the <i>Auburn Transmission Project</i> . | Improve quality of the aquatic habitat and stimulate species. |
| Wind farms | Recover natural habitats and foster their regeneration, avoid the displacement of indigenous species, monitor species, raise awareness and train local communities. 20 monitoring and mitigation activities were carried out in 2018. | Reduce impact on flora. Raise social awareness of the area's rich biodiversity |

Brazil:

| Project/Technology | Actions | Objectives |
|----------------------|---|---|
| Hydroelectric 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:

| Project/Technology | Actions | Objectives |
|--------------------|---|--|
| Thermal plants | Development of the <i>Garrapatas Estuary Rescue Project</i> . | Improve the habitat, fostering indigenous species, and raise social awareness of the area's rich biodiversity. |
| | Development of the <i>Feline Support Project in the Altamira region</i> . | |
| Wind farms | Follow-up of reforestation carried out during construction of the La Ventosa wind farm. | Ensure the success of reforestation work. |
| | Commencement of reforestation of an area covering approximately 25 ha in the area of the La Venta III power line. | Improve the habitat. |
| | Commencement of reforestation of an area covering approximately 19 ha in the area of the La Venta III wind farm. | Improve the habitat. |

For more information regarding the biodiversity protection measures taken by the Iberdrola group, see [Iberdrola and biodiversity](#), which sets out the management approach, strategies and progress in the activities conducted by the various businesses and regions in which the company has a presence. Also see Iberdrola's [Biodiversity Report 2014-2017](#).

Environmental safety

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



Disaster/emergency planning and response

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 contingency 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 and the Renewables Business have various documented emergency management procedures in place at its facilities: for example, in Spain and Mexico 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. In the United Kingdom, ScottishPower has a Business Continuity Management System for the management and minimisation of emergency situations, which is externally certified and audited under ISO 22301, and has implemented a *Black Start* plan coordinated with the Wholesale and Retail businesses to restore ScottishPower's transmission area. In the United States and Canada, each facility has a Prevention, Control and Countermeasures Plan, which includes preventive and reactive actions, and also has an Emergency Response Plan. There are also emergency plans at the generation plants in Brazil.

In addition, there may be specific plans based on each technology; for example, hydroelectric generation facilities also have an internal process to monitor a Reservoir Emergency Plan implemented at all of the Cuenca Units, which optimises the safety of people and of the facilities in the event of a serious rupture or breakdown of the dam and is known by civil protection authorities, municipalities and other government organisations.

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)*, for which the governmental authorities are responsible (called the Nuclear Emergency Plan (*Plan de Emergencia Nuclear*) (PEN) of the Province in which each plant is located), 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), as well as tests and internal exercises performed at the facility itself. The Basic Nuclear Emergency Plan (*Plan Básico de Emergencia Nuclear*) (PLABEN) provides for an interface to coordinate both Emergency Plans.

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, Iberdrola 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 facilitate the restoration of electric service in the case of a major outage, such as the electric emergency plans of the distribution subsidiaries of Avangrid in the United States, like CMP's Service Restoration Plan, for which drills are performed every year. Also noteworthy are the operations centres of the distributors in Brazil, which standardise safety in operations and the procedures to restore supply and for the maintenance of the electricity system. Monitoring the system in real time controls the conditions of the electric system and responds to scheduled and emergency requests for service, ensuring the restoration of service as quickly as possible, while respecting safety and quality. In the United Kingdom, ScottishPower actively communicates with vulnerable groups during power outages to ensure that they are provided the assistance that may be required.

Significant spills

306-3

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; 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 889 preventive actions were performed in 2018 to prevent and mitigate the impact of potential spills. These included the construction of 19 oil collection reservoirs in case of a major discharge at the substations and 870 trenches/oil collection trays at transformer stations.

Of all the leaks and spills recorded within the Iberdrola group in 2018, 23 incidents were significant⁹³, with a total spill volume of 16.4 m³. 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. 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.

⁹³ 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.

Environmental compliance

GRI 307

Iberdrola has a Global Environmental Management System that encompasses all of the partial certifications of each of the businesses that make up the group, reaching 80 % of the group's production. Certified environmental management systems identify the legal requirements applicable to the activities carried out by the group and establish an assessment of compliance therewith for purposes of assurance. Below in disclosure 307-1 of this report, supplemental information is provided regarding ongoing environmental legal proceedings directed at companies managed directly by Iberdrola.

Incidents relating to the environment during 2018 involved the following fines and monetary sanctions:

307-1

| Fines relating to the environment (€) | 2018 | 2017 | 2016 |
|---------------------------------------|-----------|-----------|-----------|
| Total amount of fines imposed | 7,538,539 | 3,881,246 | 2,375,559 |

Of the total amount of fines imposed during the financial year, 6,510,236 euros were in Spain, 964.816 euros in Brazil and 63,486 euros in the United States. In Spain, 63 % of the total amount were for three sanctions cases for the loss of three specimens of protected species in Spain. In Brazil, they were due to a breach of environmental conditions affecting ichthyofauna and improper pruning.

307-1

| Non-monetary sanctions, sanction proceedings and arbitrations (no.) | 2018 | 2017 | 2016 |
|---|-------------------|------|------|
| Non-monetary sanctions | 41 | 14 | 2 |
| Proceedings commenced | 212 ⁹⁴ | 57 | 86 |
| Cases being resolved through arbitration or similar mechanisms | 0 | 0 | 9 |

All non-monetary sanctions correspond to Brazil. The proceedings correspond to the network businesses in Spain and Brazil.

⁹⁴ Of the 212 proceedings commenced, 104 are in Spain. 82 % of them are proceedings commenced without financial penalties, mainly in relation to actions to modify electric lines.

II.4. Innovation, Digitalization and Quality for our Customers

- Products and services
- Digital transformation
- Innovation projects



Main priorities of the SR Plan

- Sustainable economic growth
- Workplace health & safety and personal development
- Fight against climate change and protecting biodiversity
- Innovation, digitalization and quality for our customers ✓
- Contributing to the wellbeing of our communities
- Good governance, transparency and stakeholder engagement
- Promoting CSR in the supply chain

Products and services

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



Iberdrola operates an organisational structure in relation to its customers in which:

- the Networks Business manages the activities of transmission and distribution in Spain, the United Kingdom, the United States and Brazil, and the regulated sale of energy in the United States and Brazil and any other regulated activity that the group carries out in these four countries.
- the Wholesale and Retail Business manages non-regulated activities in Spain, the United Kingdom, Brazil, Mexico and continental Europe.
- for its part, the Renewables Business manages long-term power purchase agreements (PPAs) with large companies in the United States.

In the liberalised retail markets, Iberdrola mainly provides its customers with two products: electricity and natural gas, trying to ensure competitive supply, operational and service excellence, continuous improvement of efficiency in operations, together with safety and respect for the environment. Although the Iberdrola group engages in other activities (see "Main products and services" section), due to the nature and scope thereof, these activities are insignificant in connection with customers for purposes of the information presented in this report.

As a whole, the distribution companies of the group manage a total of 31.6 million energy supply points, of which 30.6 million correspond to electric power and 1.0 million to gas supply. This information is described in this report by type of supply point in the "Key figures" section.

Customer satisfaction

Iberdrola has various mechanisms to measure customer satisfaction levels and to gather their opinions, verify compliance with its quality standards within the customer service and sales channels, and implement suggestions for improvement. The most significant studies by country are:

- In Spain, in the Wholesale and Retail business, there are various mechanisms to measure the satisfaction level of users, including the *Voice of the Customer Study*. On a quarterly basis, it generally measures satisfaction with the service received by the customer and offers detailed information regarding attributes like agility, training and treatment within the channels, clarity of the invoice, management of claims, quality of supply, price competitiveness and electronic billing, whether for large customers, companies, small businesses or residential customers. Overall satisfaction in 2018 exceeded 7 out of 10 for the fourth consecutive time, with large customers being the segment most satisfied with Iberdrola.

For the most part, the studies use the *NPS (Net Promoter Score) Index*, which evaluates the recommendation that Iberdrola's customers would make on a scale of 0 to 10. This index has increased from 25.6 in 2017 to 27 in the third quarter of 2018.

There is also a Gas Maintenance Service Satisfaction Survey, conducted on a yearly basis, with 90 % of customers satisfied (2 percentage points more than in 2017) and a Study on satisfaction with the Electrical Emergencies and Home Electric Protection Service, with an average satisfaction with the service of 8.5 and 8.4, respectively.

A Voice of the Customer Measurement Programme was also implemented in 2018 allowing for the centralisation of satisfaction surveys, and collecting unstructured information thanks to text analytics. All of the above allows for more agile detection of the opinion of customers and implementation of improvements.

Iberdrola engages in two types of studies with respect to the Networks Business: for new supplies, reaching 3.3 out of 5 in 2018, and for retailers of electric power and customers with direct rates: in this case the results for 2018 are at 3.7 for retailers and 3.8 for direct rates on a scale of 5.

- In the United Kingdom, customer satisfaction is measured by a series of internal and external studies within the *Customer Insight* department. These analyses include various satisfaction surveys that vary in frequency, from monthly to annually.

At the external level, the key comparative studies measuring the satisfaction of ScottishPower's customers as compared to its competitors are uSwitch, Which? (with annual surveys) and UK-CSI, which is published twice per year. These studies analyse specific areas like customer billing, campaign follow-up and complaints. ScottishPower obtained a general customer satisfaction rate of 70.6 % (compared to 69.4 % in 2017) in the *uSwitch*, from among more than 17,000 customers surveyed. UK-CSI places the British subsidiary as one of the 6 companies with the most improvement during the year, obtaining 70.5 % in 2018 compared to 68 % the year before.

The most significant internal analysis is *Pulse*, which is performed monthly and measures confidence, loyalty, ease of use, value, etc., showing an overall satisfaction level of 49 out of 100. The result is along the same line as other customer satisfaction studies like "Which?" Measures are being applied to improve the processing of customer complaints. At the internal level, there is also *YouGov*, which is used to compare the various competitors in terms of brand reputation and intent to purchase.

- In the United States, the subsidiaries of Avangrid measure service perception and customer satisfaction, which are evaluated through telephone surveys on a weekly basis. The companies of Avangrid obtained the following results in 2018: 90 % (NYSEG), 91 % (RGE), 88 % (CMP), 96 % (UI), 89 % (SCG) and 85 % (CNG). All of the distributors have fixed customer service quality standards, although only NYSEG and RG&E have regulatory targets, which are 89.5 % and 88 %, respectively.
- There are two types of annual satisfaction surveys in Brazil. The Brazilian Association of Electric Power Distributors (*Associação Brasileira de Distribuidores de Energia Elétrica*) (ABRADEE), in association with Fundación Instituto de Investigaciones Económicas (FIPE), is responsible for classifying and giving awards to companies based on an evaluation of performance in the following areas: operational excellence, economic/financial management, customer assessment, social responsibility and management quality. The Perceived Quality Satisfaction Index (Índice de Satisfação da Qualidade Percebida) (ISQP) of the services is obtained through evaluations by the customer via surveys performed by Instituto Innovare, which evaluates the quality of the services provided, classified into supply of energy, information and communication, energy bill, customer service, image, etc., and the results obtained from the ISQP in 2018 are 63.2 % (Celpe), 73.7 % (Coelba), 81.1 % (Cosern) and 78.7 % (Elektro).

As to research by the National Electric Energy Agency (ANEEL), which measures the Customer Satisfaction index (IASC), the measurement of the attributes of perceived quality, perceived value, satisfaction, trust and loyalty have not yet been disclosed by the agency.

Supply quality

EU28

Improvement in the quality of the service is an essential element of electric supply and one of the main goals of Iberdrola's business activity. A quality system allows for the achievement of objectives linked to continuous improvement. The implementation thereof also involves strict internal and external audit procedures, which ensure compliance with the established quality standards.

Iberdrola monitors service quality in the 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 | 2018 | 2017 | 2016 |
|-------|------|------|------|
| Spain | 0.91 | 1.14 | 1.04 |

- Customer interruptions per 100 connected customers ("CI") is used in the United Kingdom.

| CI | 2018 | 2017 | 2016 |
|----------------|------|------|------|
| United Kingdom | 43.4 | 36.0 | 42.7 |

- System average interruptions frequency index ("SAIFI") is used in the United States.

| SAIFI | 2018 | 2017 | 2016 |
|---------------|------|------|------|
| United States | 1.22 | 1.15 | 1.15 |

- Equivalent duration of interruption by consumer unit (Portuguese acronym "FEC") is used in Brazil.

| FEC | 2018 | 2017 | 2016 |
|--------|------|------|------|
| Brazil | 5.81 | 7.15 | 7.44 |

Throughout this "Innovation, digitalization and quality for our customers" chapter, additional information is offered regarding the development of smart grids to improve the quality of electric supply, among other things.

EU29

Similarly to the preceding section, the figures for average duration of electric supply outages are as follows:

- Installed Capacity Equivalent Interrupt Time (Spanish acronym "TIEPI") is used in Spain.

| TIEPI | 2018 | 2017 | 2016 |
|-------|----------|----------|----------|
| Spain | 44.6 min | 52.7 min | 54.0 min |

It should be noted that the 2018 figure is the best historical record for the company in the country.

- Customer minutes lost per connected customers ("CML") is used in the United Kingdom.

| CML | 2018 | 2017 | 2016 |
|----------------|----------|----------|----------|
| United Kingdom | 35.4 min | 31.0 min | 33.8 min |

- Customer average interruption duration index ("CAIDI") is used in the United States.

| CAIDI | 2018 | 2017 | 2016 |
|---------------|--------|--------|--------|
| United States | 2.07 h | 1.91 h | 1.84 h |

- Equivalent duration of interruption by consumer unit (Portuguese acronym "DEC") is used in Brazil.

| DEC | 2018 | 2017 | 2016 |
|--------|---------|---------|---------|
| Brazil | 12.24 h | 15.96 h | 17.14 h |

Marketing communications

GRI 417

Iberdrola observes the laws and abides by the regulations governing its advertising and marketing communications, and adopts mechanisms and voluntary codes that cause such communications to be transparent and truthful, and the *Code of Ethics* also applies in this area for all employees regardless of their area of responsibility.

In Spain, Iberdrola is a member of the Association for Commercial Self-Regulation (*Asociación para la Autorregulación Comercial*) (Autocontrol), the Spanish Association for Digital Economy (*Asociación Española de la Economía Digital*) (Adigital), 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 the assumption of a commitment to offer responsible advertising to society that complies with the codes of conduct, and accepts the decisions of an Advertising Jury (*Jurado de la Publicidad*) regarding complaints that may be filed by consumers or competitors with such body.

ScottishPower in the United Kingdom complies with all advertising rules and also follows a structured internal approval procedure for all advertisements, which includes legal aspects, prices, product development and marketing. All advertisements are approved by the legal department, which compares them to current advertising practices codes of the Advertising Standards Association to ensure compliance therewith. They also conform to the conditions of supply license SLC 25 and SLC 7B for a more simple, clear and just market for domestic consumers and microentrepreneurs, treating all customers equally.

The companies of Neoenergia in Brazil follow the basic rules defined by advertising ethics in accordance with the principles of responsible advertising of the National Council on Advertising Self-Regulation

(CONAR–*Conselho Nacional de Autorregulamentação Publicitária*) (Conar Statute), such as to not produce deceitful or abusive advertising that cause distress to customers or companies or that accentuate social or racial differences. They also follow the Rule on Management of Institutional, Commercial and Internal Communications and Relations, which give guidance regarding external communications and Advertising and the Corporate Policy on Social Media Usage.

The following table sets forth the incidents that occurred due to non-compliance regarding marketing, advertising, promotion and sponsorship during financial year 2018, when 5 incidents occurred in Spain resulting in a fine.

417-3

| Incidents of non-compliance concerning marketing, advertising, promotion and sponsorship (no.) | 2018 | 2017 | 2016 |
|--|----------|----------|----------|
| Resulting in a fine | 5 | 0 | 2 |
| Resulting in a warning | 0 | 0 | 0 |
| Relating to voluntary codes | 0 | 0 | 0 |
| Total incidents | 5 | 0 | 2 |

Information on and labelling of electricity sold

GRI 417

417-1

As regards labelling, in Spain Iberdrola informs its customers about the source of the energy sold by the retail supplier and the associated environmental impact thereof by means of a label included in the electricity bills and in advertising to customers. This information is presented using standard model images and labels established by the National Markets and Competition Commission (*Comisión Nacional de los Mercados y la Competencia*) (CNMC), which also provides a breakdown of the mix of national production technologies to compare the average national percentages with those corresponding to the energy sold by the company together with the company's energy mix. The CNMC has launched a System for Guarantees of Origin of energy produced in order to create the labels and images. This information is also available in the [electricity labelling](#) section of the retail website.

In the United Kingdom, ScottishPower reports the origin of its energy each year and the environmental impact thereof. New customers receive this information as part of their *Welcome Cycle* communications, and existing customers receive this information in the *Important Information* section of each invoice or notice, in accordance with the guarantees of origin rules established by Ofgem. All information about the label is also available in the [Where we get our energy](#) section of the website.

There is no obligation to label electricity in the United States or Brazil. Gas is not currently labelled in the countries in which the company sells this product.

Finally, such additional information as may be of help for consumers to make a more rational, efficient and safe use of these products is set forth at the beginning of the "Digital transformation" section.

The following table sets forth the incidents related to information and labelling that occurred during financial year 2018, during which none have occurred.

417-2

| Incidents relating to information and labelling (no.) | 2018 | 2017 | 2016 |
|---|----------|----------|----------|
| Resulting in a fine | 0 | 2 | 8 |
| Resulting in a warning | 0 | 0 | 0 |
| Relating to voluntary codes | 0 | 0 | 0 |
| Total incidents | 0 | 2 | 8 |

Health and safety of customers and of the general population

GRI 416

For Iberdrola, the safety of the users of the network is of the utmost importance. For this reason, it makes information and training available to the various emergency services and security forces in order to explain possible conflicts that they may find in the performance of their work and how to act in situations involving electricity risks.

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 entail an improvement in the quality of life of people.

Therefore, in the *planning* stage for the facilities, the community participates through its social and political representatives in broad discussions concerning the energy model to be adopted in the country. During the *approval* stage, citizens can participate during public information periods, 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.

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 these 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.

During the *retail* stage, 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. 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 and devices preventing hypothermia. In the United States, the evaluation and control of electrical risks for customers is thoroughly regulated at the state level.

As a complement to the foregoing, the Iberdrola group 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 training seminars for third parties so that they understand electricity-related risks (fire brigade, Guardia Civil, Civil Protection, Military Emergency Unit, students, etc.).

Finally, Iberdrola has various means to inform and train the public through actions and programs that are explained in more detail under the "Access to adequate information" section in this chapter. There are also direct channels of communication with customers, as described in the "Stakeholder engagement" section.

416-1

All processes required for the supply of electricity and gas at all stages, described above, ensure that such products arrive at the consumer with an appropriate level of assurance for their health and safety. The impacts on health and safety of 100 % of the categories of major products and services are evaluated in order to make improvements.

The table below sets forth incidents regarding the impacts of products and services on the health and safety of customers during 2018, of which there were 0 incidents.

416-2

| Incidents stemming from non-compliance with regulations or voluntary codes regarding health and safety (no.) | 2018 | 2017 | 2016 |
|--|----------|----------|----------|
| Resulting in a fine | 0 | 6 | 1 |
| Resulting in a warning | 0 | 0 | 0 |
| Relating to voluntary codes | 0 | 2 | 0 |
| Total incidents | 0 | 8 | 1 |

EU25

Furthermore, as described above, the construction, operation and maintenance of electric infrastructure involves certain risks, which may at times give rise to incidents affecting people outside of the company. In most of the cases detected, the incidents are related to third parties working without safety measures in the areas around the distribution facilities, as well as accidental contacts with the network.

The following table shows the accidents of this kind that occurred during 2018. 6 of the persons who suffered accidents were in Spain, 15 in the United Kingdom, 17 in the United States and 151 in Brazil. Of the accidents that have occurred, 1 caused a fatality in Spain and 40 in Brazil.

| Accidents of persons not belonging to the company (no.) | 2018 | 2017 | 2016 |
|---|------|------|------|
| Accident victims | 229 | 333 | 261 |
| Fatalities | 41 | 50 | 45 |

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. Annual legal proceedings finished and pending by year-end 2018 amounted to 61 in Spain, 51 in the United States and 122 in Brazil.

| Annual legal proceedings (no.) | 2018 | 2017 | 2016 |
|--|------|------|------|
| Settled and pending, stemming from those accidents | 234 | 408 | 258 |

Electric and magnetic fields

The possible influence of electric and magnetic fields on the health of human beings has historically been a topic of certain public debate. However, the different studies performed in this regard show that there has been no identification of detrimental effects on human health with respect to the maximum emission figures established by applicable law. Iberdrola, inspired by the precautionary principle, applies the rules in this regard and is willing to work 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: *Emissions of electric and magnetic fields at distribution facilities 2018* and *Radioelectrical emissions of relay stations 2018*. Both reports show that the emissions of electric and magnetic fields meet legal requirements and that all facilities are below the levels set 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. However, they offer an advisory service and perform surveys that gather the concerns of customers. During 2018, 35 such requests were received in the United Kingdom from England, Wales and Scotland, and there was no pending action for breach of maximum levels. For the 35 requests for information, there were 32 field visits, and safety advice and information was given to the customer on 3 occasions. In the United Kingdom, there is also monitoring of applicable legislation, changes therein and research through working groups within the Energy Networks Association. In the United States, a complaint has been received through CMP for a dispute regarding electromagnetic field (EMF) levels.

In Brazil, the law requires a number of measurements and simulations of electromagnetic fields above 138 kV, which are below the reference values established under federal law, with one complaint being received during 2018 from the neighbourhood of the Setúbal substation of the municipality of Guararapes in the state of Sao Paulo regarding high levels of electromagnetic field emissions. Cosern has also been asked to measure a facility in the municipality of Caicó (Rio Grande).

Access to adequate information

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



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 companies 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. With these services, Iberdrola puts into practice its policy to guarantee equality of opportunity, non-discrimination and universal accessibility, within the framework of its focus on sustainable development, especially with respect to disadvantaged groups. This initiative is also due to the company's commitment to offer individualised services covering the needs of all customers.

Iberdrola continues to offer a pioneering sign language video-interpretation service in its customer service area thanks to the collaboration initiative with Fundación CNSE that began in 2012, and that was renewed in 2018. In this way, persons who are deaf or hard of hearing can contact the company through sign language interpreters, the application of which is available on the customer website and is also included in a tool for the exchange of written messages, thus covering the needs of all deaf persons, regardless of the degree or type of disability or whether or not they know sign language. Furthermore, the On-line Customer Office is available in Spanish, Basque (Euskera) and English, and the website is also available in English. Communications (invoices, letters, policies, etc.) are issued in ten languages: Spanish, English, Italian, German, French and Portuguese and the regional languages Valencian, Basque (Euskera), Gallego and Catalan.

The Accessibility Certificate issued by Ilunion Tecnología y Accesibilidad was renewed for the corporate website in 2017, proof of its commitment and of the work of auditing, consulting and certification of both the corporate and customer websites, and is available at [Accessibility Certificate](#). It thus complies with the Web Content Accessibility Guidelines 2.0 of the W3C (World Wide Web Consortium), as well as the requirements to satisfy the UNE 139803:2012 Standard governing the degree of accessibility applicable to the websites of public utilities. Audits are performed on a half-yearly basis to ensure that the website meets the relevant requirements. Ilunion has also given Iberdrola an additional award for its efforts in the area of universal accessibility and service to disabled persons ([see Accessibility diploma](#)).

Furthermore, to facilitate communications, a video-call customer service tool (Whisbi) has been included on the website in which treatment and communication with the customer are much closer and more human. In addition, in My Customer Area, a webchat has been launched that offers direct and efficient real-time customer service during online navigation. This tool helps to reduce calls and emails received at the *Contact Center*, is available at no additional cost to the customer and increases their level of satisfaction and loyalty.

Finally, Iberdrola promotes information and training campaigns regarding safety and energy saving measures amongst disabled groups and underprivileged groups or those at risk of social exclusion, in order to contribute to the equality of these persons, removing barriers to communication.

In the United Kingdom, ScottishPower has an interpreting service to facilitate communications in cases where customers find it difficult to make themselves understood in English. Also, for customers who choose Welsh as the language in which they wish to receive service, invoices are offered in this language, and they are offered the mechanisms required to communicate effectively. In addition, the *Customers Requiring Additional Support* programme offers additional 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. ScottishPower offers multiple alternatives so that customers with hearing or speech impairments can communicate without needing to call: changing account details through the website, chat function on the website itself, Facebook Messenger for private communications, e-mail, etc. With the new *Next Generation Text Services (NGTS)* initiative, the company also offers a range of tools and services that can help customers with difficulties to call using a smart phone, tablet or computer.

In the United States, the U.S. companies CMP and NYSEG, subsidiaries of Avangrid, have a special communication service for hearing-impaired people called *Telecommunication Device for the Deaf (TDD/TYY)*, to facilitate communication through written messages and *Telecommunication Relay Service for Hearing Impaired-711* through which users can make 711 calls from any telephone in each state of the United States, without needing to remember area codes. NYSEG also provides special printed invoices for visually-impaired customers, as well as the ability to designate a third person at NYSEG to receive important notices, called *Third Party Notification*.

Avangrid also has a service to help people with special needs and advise them on choosing services that might be useful. The company also has customer service for Spanish-speaking customers through the *In-house Spanish Speaking Representatives* service. CMP and RG&E also make available to customers employees who know other languages for those persons who request information in a language other than English (*Bilingual employee list*).

In Brazil, Neoenergia makes improvements in physical accessibility at customer service locations and preferential treatment for persons with diverse 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 those with hearing or speech problems, special documentation and signage, and the availability of employees trained in sign language.

Education in the safe use of electricity

Through the group's websites, Iberdrola makes recommendations and information available to consumers regarding the [safe use of electricity and gas](#), 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 offers its customers products and services that provide additional safety in the home or business. 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 (@Tulberdrola).

Iberdrola's suppliers are also required to comply with strict security measures, even sealing off facilities where there are clear risks to people or their property. In addition, upon the passage of 15 days from the notice of sealing a facility, the company requires gas maintenance suppliers to visit again to verify whether the problem is remedied and the facility is in proper operational status, thus avoiding dangerous situations or irresponsible activities by customers.

Along with the *Electrical Emergencies, Gas Maintenance Service, Gas Protection, SME Assistance, Home Assistance, Appliance Protection, Home Electric Protection, Home Electric Protection Plus, Air Conditioning Protection* and *Iberdrola Gas Comfort* services, the *Appliance Protection 10* service was launched in 2018 whereby a qualified technician will repair 9 kitchen appliances and the home TV so

that the customer can avoid unexpected expenses, ensuring safety and the proper operation of the equipment.

Also noteworthy is the entry into the Italian residential market, with the launch of two services for the home: *Electricity Maintenance Service* and *Gas Maintenance Service*, focused on emergency breakdown assistance within three hours and the performance of small electricity or gas jobs, respectively. Breakdown prevention consisting of maintenance visits together with fast response to repair breakdowns, thus providing improved safety for customers.

In Portugal there has been an expansion of the Products and Services offered to Customers with the launch of the *Home Electric Protection* service, which covers breakdowns of kitchen appliances and of home electric service, the *Appliance Protection* service covering breakdowns of kitchen appliances, and the *Gas Inspection* service, providing gas installation inspections.

Also noteworthy is the entry into the French residential market in 2018, with the launch of two services for the home: *Electricity Additional Comfort* and *Gas Additional Comfort*. These services are focused on the diagnosis and maintenance of electric and gas installations, respectively, and breakdown assistance.

In the United Kingdom, ScottishPower has maintained its [PowerWise](#) website program regarding electrical safety for parents, teachers and students, with 9,369 visits in 2018. It has also continued with extensive campaigns to promote electrical safety, with programmes such as children's visits to *DangerPoint* in Northern Wales and *The Risk Factory* in Edinburgh, with a total of 13,962 visits. Further, 6,744 children also attended the *Crucial Crew* event, 200,000 attended the *Royal Highland Show*, 80,000 attended the *Cheshire Show* and 55,000 the *Anglesey Show*, especially dedicated to farm workers and their families. ScottishPower is also the service partner of *Stayenergysafe*, launched by Crimestoppers in order for the public to report energy-related crimes, where the manipulation of meters could endanger property and life. Welcome packages for new customers as well as ScottishPower's website offer emergency-related information, and it provides safety-related pamphlets, seminars and tweets.

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. *Storm Safety Information* provides safety information regarding potential public safety risks. In 2018, the Emergency Preparation Unit held a meeting with employees and officials from the 17 cities in which UIL provides its services to safely remove public easements and restitution for affected customers. In addition, CMP has an *Outreach Campaign* targeting at-risk groups such as school children, safety personnel, contractors and emergency personnel.

In Brazil, Neoenergia provide information on the bill, in customer service areas, through conferences on the proper use of electricity and building safety, messages on the website, on social media, and while on hold with the call centre, so as to reach all consumers, in addition to awareness-raising campaigns. There were more than 500 safety awareness activities in 2018 by the companies of the Neoenergia group directed towards all sectors: farmers, children, industrialists, freelance construction professionals, etc.

Innovation and digital transformation projects

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



In the future, new technologies, innovation and people will be the foundations upon which the new energy model will be built:

- **Disruptive technologies** that are increasingly efficient, sustainable and environmentally friendly, and that allow for optimisation of the operation of facilities and processes.
- **New products and competitive services** that respond to customer needs, with more personalised content and offers.
- **Digitalization and automation.** Between 2018 and 2022, Iberdrola plans to invest 4,800 million euros in digital transformation and will focus its investment efforts on improving the operation and maintenance of its assets and on increasing the availability of its generation plants.
- **Innovation with start-ups, entrepreneurs and suppliers,** in order to develop new disruptive business models, favour the exchange of knowledge and be a driving force among its partners.
- **Culture of innovation and talent.** Iberdrola promotes a culture of innovation through the transfer of knowledge, attraction of talent and promotion of the entrepreneurial spirit. Of note is the Universities Project, which involves the development of various initiatives: university chairs, R&D+i projects, training of students, internal training and young entrepreneurs.

Thanks to human and financial efforts (267 million euros in 2018) allocated to research, development and innovation (R&D+i), Iberdrola is in the vanguard of developing new products, services and business models that are transforming the energy sector.

As evidence of its commitment to innovation, on 23 May 2018 Iberdrola held the first *Innoday 2018* event, the energy sector's major innovation roadshow, on the company's international campus. Some of the innovative initiatives are set out below, classified by major category:

Renewable energy:

- Improved efficiency at wind farms, photovoltaic plants and hydroelectric facilities. Includes the *Doctor PV* projects, aimed at reducing costs in photovoltaic plants through predictive maintenance strategies, the *ROMEEO* projects, coordinated by Iberdrola, and *ASPA*, aimed at developing models and tools for early detection of failures based on artificial intelligence and big data techniques. The *Renewables Digital Evolution Plan (2018-2022)* and the *Renewables Accelerator* project for the promotion of new ideas to foster increased efficiency and global competitiveness of renewable energy have also been launched.
- Projects of note in the hydroelectricity area are *HIDRODEMAND*, targeted at the implementation of operating efficiencies, and *HIDROSMART*, for the development of new technologies to be exploited at the Cuenca Operation Centres (COCs).
- Improved integration of renewable energy, including the registration of Avangrid Renewables as a Balancing Authority (BA).
- As to innovation in offshore wind projects, the Wiking wind farm was inaugurated and construction of East Anglia One has started in the United Kingdom.

Clean generation technologies:

In 2018, efforts in the generation area centred on operational flexibility and efficiency, respect for the environment and improved safety at facilities:

- Projects in the nuclear area included *OFF-GAS*, *RESHAND* and *FILTRABRIS*, which were collaboratively developed with *GDEST4S* within the framework of Iberdrola's *Innovation Programme for Suppliers*, and all of which are oriented toward operational efficiency and nuclear safety.
- The thermal generation area includes the *OCTAVE* project, which is intended to develop technologies for the diagnosis and control of the combustion process to make our plants more flexible. This project is key to ensuring the resilience and safety of the Spanish electricity system, permitting the integration of renewables.

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. In this regard, in 2018 Iberdrola has worked on:

- New initiatives to improve the customer's experience. New projects were launched in 2018, focused on increased personalisation of content and offers, together with a new *Customer App* in Spain, France and Portugal and a new website. It is now also possible to enter into contracts and procure products online, without prior registration.
- New products and functionalities. In 2018 we launched new packs in *Smart Home*, which combines energy, products and services and tools focused on improving energy management in the home without charge. We have also improved the functionalities of *Smart Home*, so that one can get an "online offer" on the website thanks to the analysis of consumption curves, expected insulation, location and orientation of the installation.

Smart Mobility includes the launch of the new *Iberdrola Public Recharge App*, which allows one to reserve and use recharging stations on the Iberdrola network, and also launch the *Smart Mobility Home* application to control the recharging of domestic equipment.

In Brazil, Neoenergia has made available to customers a mobile application that allows them to check their consumption, see bills and make payments; and in the United States Avangrid has launched *NYSEG Smart*, an online store where customers can search for, compare and safely buy efficient energy products (smart thermostats, lighting, electric vehicle chargers, etc.).

Smart grids

The group's R&D+i activities in electric energy distribution focus on optimising the distribution grid, with special attention on the development of smart grids, with various projects in all of the countries in which it distributes electricity.

In Europe, the company continues to participate in the *ASSURED* project to develop rapid charging solutions for heavy duty electric vehicles, and in the *INTENSIS4EU* project, which seeks a new focus in the area of smart grids and energy storage.

In Spain, Iberdrola will continue pushing the digital transformation of the electricity grid of the Basque country thanks to the *Bidelek 4.0* project. There is a continuation of the *LAYCA* project, which seeks to develop a system for locating breakdowns and identifying failures in medium-voltage networks, and has launched the *Caravaca BESS* project in order to achieve integration of a battery energy storage system (BESS) in operation.

In the United Kingdom, development continues on the *Fusion* and *LV Engine* projects, directed towards the optimisation of low-voltage grids. There is also the *SPEN* project, conceived to manage restrictions on the high-voltage grid at the Dunfries and Galloway plants.

In Brazil, there is the *Bid Monitor* project, which seeks to develop a support system for decision-making in electricity sales, and *Smart City* project for the implementation of innovative solutions for automation and operation of the electric grid. The *TITAM-BT* project also seeks to develop equipment that would allow for a reduction in fraud and ensure proper billing for customers.

In the United States, the *Woodbridge Microgrid* seeks to develop a micro-network with fuel cell to strengthen the grid under extreme climate conditions. There has also been a continuation of initiatives included in the *Energy Smart Community* programme, like the *ADMS* project to develop an advanced system for managing the distribution system and distributed resources.

Of note is the inauguration in 2018 of *Iberdrola Innovation Middle East*, a technology centre focused on responding to the challenges of the digitalization of the energy system, and focusing on three key areas: smart grids, integration of renewables and energy efficiency.

Iberdrola Ventures – Perseo

Iberdrola Ventures – Perseo is Iberdrola's start-up programme with 70 million euros to promote the development of a dynamic ecosystem of start-ups and entrepreneurs in the energy sector. Since its creation in 2008, more than 50 million euros have been invested in start-up companies in the energy sector worldwide. The main achievements in 2018 included:

- Recognition by the European Commission within the framework of the *Start-up Europe Partnership* initiative, by naming Iberdrola for the second consecutive year one of the top 12 European corporations that work best with start-ups. Iberdrola also received the special "*Start-up Procurement Award*".
- More than 10 pilot projects with start-ups in technological areas like Artificial Intelligence, Big Data, Internet of things (IOT) and blockchain, in order to improve both the planning and the management of assets and optimise operation and maintenance.
- In the investment area, there is the company *Atten2*, dedicated to developing solutions for online monitoring of critical assets to improve the operation and maintenance thereof, as well as prolong its useful life through predictive maintenance and better operation thereof.

Further information on the R&D&i projects in which Iberdrola participates can be found in the [Innovation](#) section of the corporate website.

II.5. Contribution to the Well-being of our Communities

- Introduction
- Access to energy
- Protection of human rights
- Support to local communities
- Contributions to society (LBG)
- Corporate volunteering programme
- Foundations
- Iberdrola and the Global Compact



Main Priorities of the SR Plan

- Sustainable economic growth
- Workplace health & safety and personal development
- Fight against climate change and protecting biodiversity
- Innovation digitalization and quality for our customers
- Contributing to the wellbeing of our communities ✓
- Good governance, transparency and stakeholder engagement
- Promoting CSR in the supply chain

Introduction

Iberdrola establishes firm and permanent bonds with its Stakeholders, taking into consideration the needs and expectations of its workforce, shareholders and the financial community, regulatory bodies, customers, suppliers, the media, society in general and the environment. The development of a relationship model with each of them, and maintenance of fluid channels of communication, are significant goals to which Iberdrola dedicates numerous resources, as described in more detail in the "Stakeholder engagement" section of Chapter II.7 Good governance, transparency and Stakeholders engagement" of this report.

Within the company's explicit commitment to the sustainable creation of value and the maximisation of the social dividend, and always looking to the long-term future, Iberdrola has an impact on local development, generating employment and wealth in all of the communities in which it is present through the design and preparation of specific programmes focused on promoting education, art and culture, research, protection of the environment, protection of vulnerable groups, etc.

In relation to Iberdrola's commitment to defend human rights, the main goal is to incorporate the management thereof into all of the group's operations, thus forming an integral part of operating procedures. This focus is included in the [Policy on Respect for Human Rights](#) approved by the Board of Directors in February 2015 and last revised in October 2018. To this end, the company has a set of tools that promote the protection of and respect for human rights, mitigating the risk of violation thereof. The company's practices are in line with the *Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework*, the principles of the *United Nations Global Compact*, the *OECD Guidelines for Multinational Enterprises*, the International Labour Organization's *Social Policy* and the *Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy*.

Within the framework of its *Human Rights Management Model*, Iberdrola is performing diagnostics to identify the actual and potential risks of its activities affecting human rights in all of the countries in which it does business, paying special attention to those countries in which the risk of impact might be higher due to lax legislation in this area. The analysis also evaluates the extent to which current due diligence procedures of the company are sufficient to manage these risks and comply with the provisions of the Guiding Principles and industry guidelines in this area. The company also has other tools approved by the Board, like the [Code of Ethics](#), approved in February 2002 and last revised in October 2018, which serves as a guideline for the conduct of directors, professionals and suppliers, establishing control measures as well as disciplinary measures in case of non-compliance.

Consultation and complaint mechanisms

As provided by Iberdrola's By-Laws, the corporate website (www.iberdrola.com) is a permanent channel of communication to serve the *Stakeholder Relations Policy*. For this reason, the website contains the main channels for responding to potential claims, as set out below:

- From any page on the corporate website, one can use the new navigation menu to directly access pages dedicated to customers and to the distribution networks of the countries in which Iberdrola does business.
- The "Iberdrola group" link in this menu also offers a complete map from which one can access all of the websites of the various country subholding companies and head of business companies of the group, as well as those of the Foundations of each country.
- The navigation menu can also be used to access the "Contact" section, in which the following appear in an organised and accessible form:
 - The main contact channels (Corporate Communication, Brand, Social Responsibility, Investor Relations Office, Office of the Shareholder, CDI an ADR Holders, Sustainability and Environment, Supplier Service Centre, Employment Channel, etc.).
 - The addresses of the Iberdrola group's offices in the various countries.
 - Customer service centres in the various countries.
 - Subject-specific query mailboxes.
- Finally, the [Corporate structure of the group](#) section within Corporate Governance shows the corporate diagram with corresponding links to all of the country subholding companies and head of business companies of the group.

The company's Stakeholders have the channels described above, which are handled in the various countries, businesses and corporate areas, to make their complaints and suggestions 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 identifying and investigating unethical behaviour or behaviour that might lead to situations of fraud or corruption in any form: the ethics mailbox, the professionals' ethics mailbox, the shareholders' ethics mailbox, the suppliers' ethics mailbox, through which employees, shareholders and suppliers can channel grievances, questions or complaints with the assurances of resolution and confidentiality that such channels require to be effective.

The court claims of which Iberdrola is aware are set forth in "Environmental safety" section of Chapter II.3 and in the "Socio-economic compliance" section of Chapter II.7 of this report.

Incidents relating to discrimination in the labour area during 2018 are set out in the "Protection of human rights" section of this chapter. Iberdrola has not received any complaint during financial year 2018 regarding other aspects relating to human rights through the channels established for this purpose, nor is it aware of court claims that might have a specific social impact.

Access to energy

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



Access to energy for off-grid customers

EU26

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 Neoenergia distribution area (around 835,500 km², with a resident population of slightly more than 33.6 million people), 200,563 persons do not have electricity, representing around 0.6 % of the total population within the area of the Neoenergia group companies.

The companies of the Neoenergia group have continued to develop rural electrification programmes, undertaken jointly with government authorities, with the goal of extending the electricity infrastructures in order to facilitate economic and social development and minimise 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.

In 2018, the aggregate funds allocated to rural electrification programmes in Brazil represented a total of 189.6 million euros on a consolidated basis for the group.

| Electrification programmes 2018 | (€ thousands) |
|---------------------------------|---------------|
| Neoenergia | 189,636 |

For some populations with difficulties accessing the network, such as indigenous populations or *quilombolas*, they also receive various assistance programmes from Neoenergia and the installation of off-grid photovoltaic systems and other actions to ensure universal access to the distribution network.

Electricity for All programme

The Sustainable Development Goals (SDGs) 2015-2030, to which Iberdrola has linked its business strategy, define universal access to energy as essential and frame sustainable energy as an opportunity that transforms life, the economy and the planet. To meet the challenges and opportunities currently faced by the world, energy has a central role, whether to foment employment, safety, climate change, food production or to increase income.

A lack of access to the supply of energy is an obstacle to human and economic development. The *Electricity for All* programme is Iberdrola's response to the call of the international community to ensure universal access to energy services that are accessible, reliable and modern, focused on sustainable electrification activities, linking the purpose thereof to SDG 7.1.

Upon launching the programme, the company 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. This objective was revised in 2018, and within the framework of the Iberoamerican Conference on the Sustainable Development Goals held in Salamanca, Iberdrola launched an ambitious 2030 goal of providing access to electricity to 16 million persons without it in emerging countries.

There are 5.4 million beneficiaries of the *Electricity for All* 2014-2018 programme with 3 areas of activity:

- Financing of projects through capital investment, using the PERSEO investment fund. Iberdrola has invested in Sunfunder and in Iluméxico within the framework of this programme.
- Activities with a social impact: investments promoted by businesses in the countries in which Iberdrola has a presence. This is the case with the *Light for All* Programme of the distribution companies in north-eastern Brazil and their rural customers.
- It develops projects with a high social component, through NGOs and corporate volunteers.

Brazil
Light for all

Nicaragua
Alliance for Solidarity

Mexico
Iluméxico

Peru
Electrification of school and dispensary

Brazil
Supply new customers

Rwanda
Electrification of schools

Kenya
Eco-village Nyumbani

Ethiopia
Volunteering

Benin
Benin Project, collaboration with FUNDEBE

Uganda, Kenya, Tanzania
SunFunder

Access for vulnerable customers

The *General Sustainable Development Policy* approved by the company's Board of Directors assumes as a principle of conduct that attention is paid to customers who are economically disadvantaged or in any other situation of vulnerability, establishing specific procedures of protection and collaborating in providing on-going access to energy and gas supply according to the policies established by the competent government authorities in each case.

Thus, the companies of the group have procedures to protect customers at risk of exclusion or in vulnerable situations to facilitate access for the most disadvantaged groups, including the following:

- In Spain, there is application of the *Vulnerable Customer Protection Procedure*, which allows for an increase in collection periods, making payment terms more flexible, and providing personalised advice. Iberdrola has also prompted the signing of agreements with various public entities and other organisations, establishing mechanisms to prevent the suspension of electric and/or gas supply due to non-payment of the invoice by economically disadvantaged citizens, and to ensure the immediate restoration of service if already suspended. The company also has a free exclusive telephone service line for customers in vulnerable situations: 900 100 752. The [agreements signed](#) by the company protect 100 % of Iberdrola's residential customers in Spain that might be in situations of vulnerability. There are also subsidised electricity rates (known as *Bono social*) that apply lower electricity prices to electricity consumers considered to be vulnerable on the basis of certain social, consumption and purchasing power characteristics. In 2017, the Government regulated and defined the figure of vulnerable customer, subsidised rates (*bono social*) and other measures of protection for energy consumers. During the year, the publication of Decree 15/2018 specified, among other measures, the conditions of the subsidised rates and expanded coverage to special groups (family units with disabled members, victims of gender violence or terrorism). At the end of 2018, Iberdrola had 404,540 customers with subsidised rates.

To facilitate access to subsidised rates, Iberdrola has implemented a broad communication plan to get information to all people, like the creation of a new website of the retailer, where customers can obtain all information through the website www.iberdrolacur.es/bonosocial. It has also sent information to more than 1,500 Consumer heads, and has had meetings with consumer associations. The company has made available to customers a consultation inbox, 512 onsite service points with more than 1,000 agents, and 24-hour telephone service with personnel specifically trained to serve customers with respect to the *Bono Social*. It has also created a leaflet and has sent more than 18 million informational letters in the invoice to all customers of Ibercur, together with an informational video distributed on social media, and informational notes and subject-specific meetings with the principal media outlets.

- In the United Kingdom, ScottishPower has signed the *Energy UK Safety Net for Vulnerable Customers* agreement, which includes a commitment to not 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, implemented by the government in 2011, is also still in operation. The "*Extra Care*" programme provides "extra care" to the most vulnerable customers, ensuring that they receive the support they need, adjusting payment methods to their individual circumstances and providing them with additional services if necessary. They also have "*Hyper Care*", which offers support to customers who show signs that their circumstances might be changing and that they might be entering into payment difficulties.
- In the United States, agreements have been signed with the government to help customers at risk of exclusion and vulnerable customers, and there are energy assistance programmes for these groups at the federal level, such as the *Home Energy Assistance Program (HEAP)*, *CMP's Electricity Lifeline Program (ELP)* (with credits to pay bills based on income and consumption) and the *Energy Assistance Program (EAP)* with two levels of assistance: *Basic Energy* (monthly bill credit) and

Limited Benefit (to cancel debts for delayed payment). At CMP, the ELP programme also guarantees a connection for people with limited resources who depend on an oxygen tank or ventilator.

- In Brazil, the group's subsidiaries have a special different rate for low-income customers (TSEE) and advantageous prices and special terms for persons in difficulty. In 2018, Aneel (*Agência Nacional de Energia Elétrica*, or National Electric Energy Agency) continued with an update of the registry, selecting beneficiaries therefrom who meet the low-rent criteria of the consumer units determined by the Brazilian regulator.

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:

EU27

| Residential disconnections for non-payment (no.) | 2018 | 2017 | 2016 |
|---|------------------|------------------|------------------|
| Paid up to 48 h after disconnection | 1,270,849 | 1,304,986 | 1,182,466 |
| Paid between 48 h and one week after disconnection | 253,559 | 236,436 | 237,576 |
| Paid between one week and one month after disconnection | 239,246 | 226,654 | 214,745 |
| Paid between one month and one year | 197,422 | 181,141 | 188,504 |
| Paid after more than one year | 8 | 7 | 0 |
| Outstanding and unclassified | 0 | 0 | 48,606 |
| Iberdrola total | 1,961,084 | 1,949,224 | 1,871,897 |

| Residential reconnections following payment of unpaid bills (no.) | 2018 | 2017 | 2016 |
|---|------------------|------------------|------------------|
| Less than 24 h after payment | 1,640,500 | 1,612,578 | 1,561,202 |
| Between 24 h and one week after payment | 162,744 | 184,780 | 191,332 |
| More than one week after payment | 124,722 | 116,395 | 102,068 |
| Unclassified | 0 | 0 | 14,634 |
| Iberdrola total | 1,927,966 | 1,913,753 | 1,869,236 |

Information on disconnections and reconnections in the various countries is described in Annex 1 Supplementary Information.

Protection of human rights

Contribution to SDGs of the performance described by the indicators of this section
(according to SDG Compass www.sdgcompass.org)



Iberdrola's commitment

GRI 407 GRI 408 GRI 409 GRI 412

The group has a firm commitment to the defence of human rights, and has a set of tools that ensure and promote the protection of and respect for human rights, in order to prevent, mitigate and repair any possible impact on human rights. Therefore, the company's practices are in line with the principles underlying the *United Nations Global Compact*, *Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework* (hereinafter the *GPHR*), the *OECD Guidelines for Multinational Enterprises*, the *Tripartite Declaration of Principles Concerning Multinational Enterprises* and the *Social Policy* of the International Labour Organization.

Iberdrola has a [Policy on Respect for Human Rights](#) approved by the Board of Directors in 2015 and last revised in October 2018, the principles of which must be followed by all professionals of the group, regardless of the place in which they carry out their activities. With this policy, apart from formalising its public commitment, Iberdrola wants to send all of its Stakeholders a clear message that the company is committed to respecting the human and labour rights recognised by domestic and international law.

The company has adopted the measures necessary to comply with this policy in all countries in which it operates. And it has made the following commitments, among others:

- 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 sufficiently developed.
- Reject child labour and forced or compulsory labour, and to respect freedom of association and collective bargaining as well as non-discrimination, the right to freedom of movement within each country, and the rights of ethnic minorities and of indigenous peoples in the places in which it carries out its activities.
- 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.

During 2018, it has updated its risk map by country and business using an internal methodology which makes assessments based on the countries ratifying or joining the following international conventions and treaties:

- Forced Labour (C029, C105), Right to Organise and Collective Bargaining (C087, C098), Child Labour (C138, C182) and Non-discrimination (C100, C111).
- Convention C169 on Indigenous and Tribal Peoples.
- The 2018 report of the International Labour Organisation (ILO) entitled *Report of the Committee of Experts on the Application of Conventions and Recommendations*.
- International Covenant on Civil and Political Rights.
- International Covenant on Economic, Social and Cultural Rights.

- American Convention on Human Rights signed at the Inter-American Specialized Conference on Human Rights (Treaty B-32).
- European Social Charter (Turin, 18 October 1961).

The position of countries on the following indexes and studies has also been taken into account:

- UNDP Human Development Index (2017 data, the latest available during the study).
- Transparency International (Corruption Risk, 2017 data, the latest available during the study).
- Countries involved in armed conflict (*Report on Conflicts, Human Rights and Peace Processes. 2018 Alert*. School for a Culture of Peace).

412-1 407-1 408-1 409-1

Once the risk map was updated, the data were cross-checked against the analysis identifying the significant locations of operation in 2018, in order to know what locations might have a possible risk of violating these rights.

Of the 150 significant locations of operation (detailed information in the "Key figures" section) covered by analysis or impact evaluations in the area of human rights (100 % of the significant locations), 57 of them (38 % of the group total) are in Brazil and Mexico, countries considered to be at risk for violation of these rights.

As a result of this analysis, the United States and Canada could also be considered countries at risk, as they have not yet ratified or joined several of such labour conventions. However, given the socio-political characteristics of these two countries and taking into account the internal procedures defined for the subsidiary Avangrid, Iberdrola does not believe there is a risk of violation of these rights for the group's workers.

Beginning of the project for a new human rights due diligence strategy

During 2018, Iberdrola developed the first stage of a new approach to human rights due diligence. Further developing its *Policy on Respect for Human Rights*, it followed the advice of the Guiding Principles (principle 18.a of the HRGP) and has drawn on the advice of experts who are recognised internationally for their advice on human rights due diligence processes. The due diligence project seeks to adjust the HRGP to the size of the company, the diversity and peculiarities of facilities in the various countries and the complexity of implementing the human rights management system at a company like Iberdrola.

The entire project focuses on persons, specifically on the company's relationship with affected persons, and for that reason it is essential to know the needs of all Stakeholders first-hand (principle 18.b of the HRGP). For the same reason, concurrently with the human rights due diligence project, Iberdrola has developed a Stakeholder relationship model that ensures there are appropriate communication channels for each of them, which will help to better identify important matters and to both prevent and mitigate possible impacts and allow the company to respond with the required agility.

The greatest progress in the methodology used to date has been in the considerable increase of the number and quality of the sources for the identification of actual and potential impacts on its activities, and in the boost given to the full and detailed review of due diligence mechanisms.

Efforts during 2018 focused on:

- building a new methodological and analysis framework to carry out this task, and
- compiling the information required to identify human rights impacts and gaps in due diligence using the new methodology.

The final results and recommendations derived from this work will be presented in 2019 and an Action Plan will be prepared to solve the possible weaknesses in existing due diligence processes, both at the corporate level and at the companies forming part of the group.

In summary, the methodology applied adopts the recommendations of the HRGP at three successive levels of refinement and depth in the identification of human rights impacts:

1. *potential impacts* for the sector, affected by country risk (principle 17).
2. *significant impacts* for the company, based on the severity, possibility of remediation and linkage of impacts (principle 19.b).
3. *priority impacts* for the Action Plan, giving preference to the elimination of due diligence gaps (principle 19.a).

Progress on and results of the human rights due diligence project

The potential impacts on the electric power industry have been identified, thus defining, extensively but precisely, the area with respect to which Iberdrola must be vigilant as regards human rights. This has made it possible to enlarge the focus of what the *Policy on respect for Human Rights*, the *Code of Ethics* and other corporate documents have considered to date were human rights issues, following the advice of the HRGP to take the entire spectrum of internationally recognised human rights into account (principle 12).

To facilitate analysis, in the resulting inventory of potential impacts, they have been classified into categories that include those that share the same aspect relating to the organisation and operations of the company:

- Impact on local communities
- Small-scale environmental impact
- Large-scale environmental impact
- Public insecurity
- Labour practices
- Quality of supply and services
- Universal access to energy
- Privacy and data protection
- Ethics and integrity

Furthermore, various areas of business activity were detected in this phase that are potentially affected by human rights issues but that were not included (at least not explicitly) due to issues of simple terminology or strategic formulation. Thus, progress has also been made in raising sensitivity on human rights across the entire company.

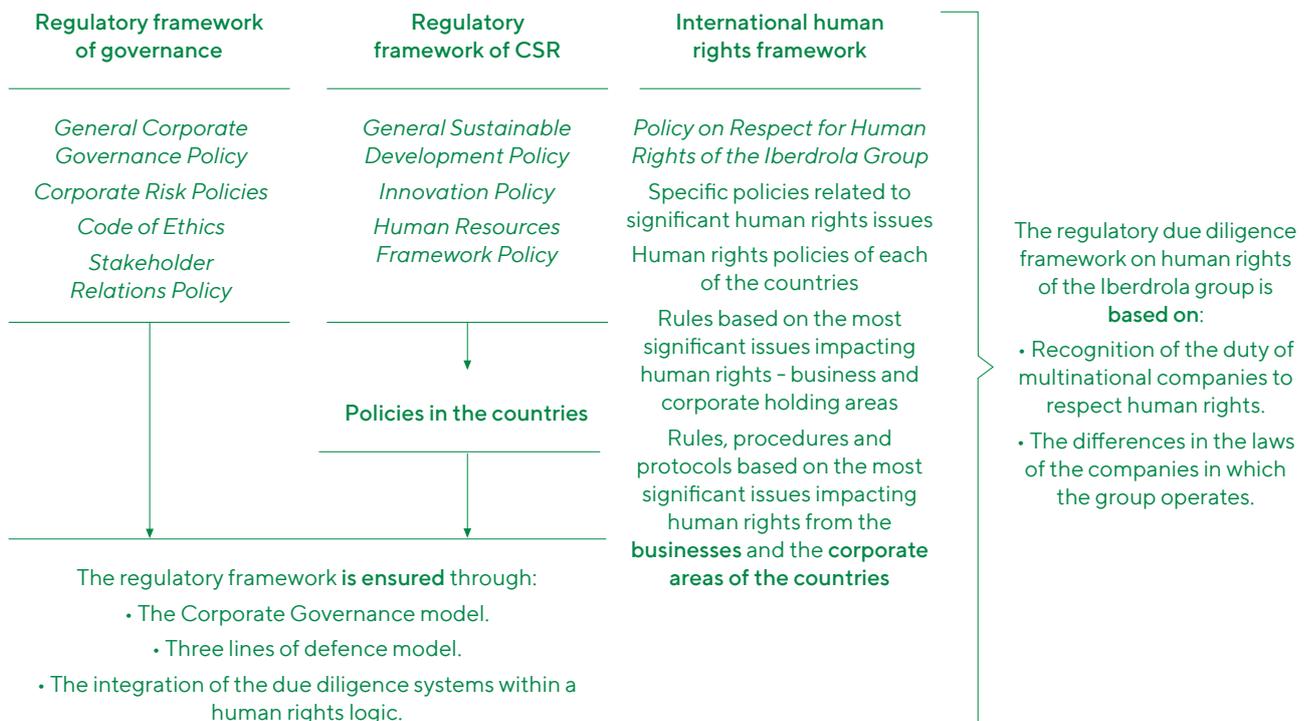
At a second level, an in-depth study has been undertaken to determine which of such potential impacts the company is specifically generating or runs the risk of generating. This study is carried out taking into account the particular characteristics of different contexts and, for that reason, a specialised team has visited work centres and facilities in Spain, Brazil, Mexico and the United Kingdom, while visits to centres in the United States are scheduled for the first few months of 2019. In addition, a survey directed at the heads of the 150 main activity centres was prepared to complete the compilation of information. During the visits made in the reporting period, more than 60 conversations were held with various areas of the company, in which both the consulting team and the Social Responsibility area participated. Thanks to these activities, the significance of the human rights impacts specific to each country is being assessed, based on standards of frequency, severity, scope, possibility of remediation and connection.

Due diligence framework

A general human rights due diligence framework has been determined that is in line with existing management mechanisms.

- The Iberdrola group’s corporate governance model, which allows for independence among the various companies of the group while ensuring consistency regarding their commitment to human rights.
- The group’s control model, based on three lines of defence that assigns clear prevention, monitoring and assessment responsibilities, thus allowing for an on-going improvement model.
- The regulatory framework for corporate responsibility, which is the basis for policies to guide the responsible management of the business and provide due diligence guidelines across the entire group:
 - *General Sustainable Development Policy*
 - *Innovation Policy*
 - *Human Resources Framework Policy*
- Integration of the due diligence systems within a human rights logic.
- Review of the reporting channels of the *Code of Ethics*.

The following diagram illustrates the foregoing:



Progress has been made in documenting existing commitments, procedures and controls, including both those that have been formally established and those that are customary practices and informal management methods. This task has highlighted the existence of many commitments, procedures and control mechanisms at Iberdrola that are in line with HRGP objectives which, while not explicitly mentioning their connection with respect for human rights, are consistent with a framework of prevention, mitigation and reparation of human rights impacts. Two clear examples are environmental management processes and privacy and data protection policies.

This framework has allowed the company to undertake a gap analysis, which will be the basis for the process to prioritise human rights actions. These actions will be set forth in a short-, medium- and long-term action plan that will take into account the differences at the corporate level and in each of the countries in which the company operates.

Prioritisation

The HRGP recommend prioritising impacts when scheduling initiatives to prevent and mitigate them. That is a third level of analysis. Preliminary results of such assessment indicate that there are differences in the issues that are most significant not only for each country, but also for the various operations and areas of activity. The next step during 2019 will be to assess the differences and the different human rights management models in each country in which the company does business, based on the same human rights due diligence model and gap analysis.

Significant issues for our Stakeholders

Below are some examples of how Iberdrola is managing specific human rights issues that are significant for its Stakeholders.

a) Related to labour practices

In connection with labour practices, an issue that was particularly significant for Stakeholders was non-discrimination.

GRI 406

The principles of non-discrimination and equal opportunity applied at the Iberdrola group are contained in both the *Code of Ethics* and in the global policies and procedures that have been approved and implemented (*Recruitment and Selection Policy, Equal Opportunity and Reconciliation Policy*, etc.), and its mission is to avoid any discrimination for reasons of race, colour, gender, language, religion, political opinion, national origin, social status, membership in an indigenous community, disability, health, marital status, pregnancy, sexual orientation or other condition of the person that bears no relationship with the requirements to perform their work. It also has collective bargaining agreements and local policies, including:

- Equality and Reconciliation Plan and Anti-Harassment Action Plan for companies of the *7th Collective Bargaining Agreement* in Spain.
- Policies on equal opportunity and reconciliation, anti-age discrimination, people with disabilities, equal pay, harassment and flexible working policies, as applied in the United Kingdom.
- Equal remuneration policy at Neoenergia, in Brazil.

By applying all of these instruments, Iberdrola ensures that the selection processes are based solely on the merits of the candidates and that the promotion of equality within the group as regards access to employment, professional training and promotion and working conditions is guaranteed.

During 2018, the group received a total of 26 grievances regarding labour discrimination through the various channels. 10 of them are pending. Of the grievances that have already been closed, i.e. 16, 4 ended confirming the existence of improper action in this area and the rest, 12, did not find evidence of such impropriety. Of the former, 3 led to a written reprimand and the fourth led to dismissal.

406-1

| Reported incidents of discrimination (no.) | 2018 | 2017 | 2016 |
|--|------|------|------|
| Iberdrola total | 26 | 12 | 7 |

b) Related to an impact on local communities and the rights of indigenous peoples

GRI 411 411-1

In relation to local communities, the issue of relations with indigenous peoples has been a concern of the Stakeholders.

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 both ethnic minorities and the internationally recognised rights of indigenous peoples, in accordance with applicable law and the obligations set out in Convention 169 of the International Labour Organization (ILO).

Employees belonging to indigenous communities

During 2018 in Brazil, only the electricity distributor Celpe (Neoenergia group) has employees that declare themselves to be of indigenous race, but since they do not reside in an indigenous community, they do not belong to one. However, at the Belo Monte hydroelectric plant (owned by Norte Energia, a company in which Neoenergia has an indirect 10 % interest, without exercising control or management thereof), outside labour has been hired from the various indigenous communities in implementation of the Medio Xingu Territorial Protection Plan (*Plano de Proteção Territorial do Médio Xingu*) (PPTMX). Furthermore, in the United States Avangrid has employees who identify as Native Americans or Native Alaskans. There is no evidence of employees belonging to indigenous communities at the other companies of the Iberdrola group.

It should be noted that there were no incidents relating to the violation of the rights of employees belonging to indigenous communities during 2018.

Presence of the company in indigenous territory

The company, with a presence in 3 countries where there are indigenous communities (Brazil, Mexico and the United States) wants business activities to be carried out with respect for different cultural identities, traditions and environmental wealth, as many times these communities depend on natural resources for their subsistence. Therefore, it establishes pathways of dialogue with the participation of the State and of the various organisations representing these communities, in order to report on the projects with due transparency and integrity. However, there may occasionally be direct or indirect impacts on these communities at some facilities, which is why there is an attempt to promote ethical practices with the goal of preventing conflicts, being competitive and generating mutual benefit, which in the long term is the base social value.

The activities performed in indigenous territories is describe below:

- In Brazil, in August 2017 Iberdrola became the majority shareholder of Neoenergia, S.A., a company that already held 10 % of Norte Energía, S.A., which is the company responsible for the construction and operation of the Belo Monte hydroelectric plant, where there have been impacts on the indigenous communities occupying the region of Medio Río Xingu, in the state of Pará, affecting a total of 9 ethnicities (around 3,857 indigenous persons). In order to mitigate, compensate and/or prevent these impacts, Norte Energia, S.A. prepared an ethnological study, and based on that study prepared a Basic Environmental Plan for the Indigenous Component (Projeto Básico Ambiental-Componente Indígena) (PBA-CI) made up of nine programmes: i) Environmental Supervision Programme; Indigenous Territory Management Programme; ii) Works and Infrastructure Programme; iii) Productive Activities Programme; iv) Integrated Indigenous Health Programme; v) Indigenous School Education Programme; vi) Institutional Strengthening Programme; vii) Tangible and Intangible Cultural Heritage Protection Programme; viii) Relocation and Resettlement Programme; and ix) Indigenous and Non-Indigenous Communication Programme. It also prepared the Medio Xingu Territorial Protection Plan (*Plano de Proteção Territorial do Médio Xingu*) (PPTMX) based on the relocation of populations called "riparians" (*riberieños*). The actions to protect the riparian population are included in the General PBA, now connected to the Rural Resettlement Project. Through December 2018, approximately 313 families have been relocated, seeking the

re-establishment of the traditional life style with the preparation of sites on the edges of the dam (a total of 121), always taking into account applicable environmental law as well as environmental sustainability.

The PBA-CI will be developed during the period of the concession, i.e. 35 years. The plan will be reviewed every 5 years in order to update it and thus ensure that indigenous rights are respected. For more information regarding the environmental permit programmes of Below Monte, see:

<https://www.norteenergiasa.com.br/pt-br/sustentabilidade/licenciamento-ambiental>

- Neoenergia, S.A. also holds 50.1% of Companhia Hidrelétrica Teles Pires, responsible for the construction and operation of the Teles Pires hydroelectric plant, located on the border of the states of Pará and Mato Grosso, on the Teles Pires river, an affluent of the Tapajós river, next to the municipalities of Jacareacanga and Paranaíta. This plant is located 60 km from the border of the nearest indigenous lands. Although there is no direct impact, under Brazilian law there must be socio-environmental studies and programmes, for which reason the company has established a joint dialogue with the National Indigenous Foundation (*Fundação Nacional do Índio*) (FUNAI), the Federal Public Ministry and indigenous leaders of each ethnicity affected by the project in order to respond to the demands and expectations of each community. The Basic Environmental Plan for the Indigenous Component (PBA-CI) was jointly prepared and approved along with 19 socio-environmental programmes to mitigate and sustainably encourage the cultural, social and economic activities of the ethnicities of the area.

The plan is being implemented according to the timetable approved by the Teles Pires hydroelectric company, and the works approved for the Kayabi have already been completed, the works for the Munduruku are being finalised, and the works for the Apiaká have started. For more information on the indigenous components of the Teles Pires environmental action plan, see:

- [P 45 - PBAI_APIAKÁ](#)
- [P 45 - PBAI_KAYABI](#)
- [P 45 - PBAI_Munduruku](#)

- As regards network construction activities, various distributors of the Neoenergia group have engaged in construction in indigenous land areas in Brazil. The distributor Coelba built two medium-voltage projects (Medida Provisoria - Faz Renascer - Região Sapucaieira y Medida Provisoria - Faz Bela Cascata) which were processed by the governmental environmental authority to obtain the Vegetation Suppression Approval (VSA) and Declaration of Intervention in Permanent Preservation Area (DIPPA) and FUNAI was also consulted. The distributor Celpe also built a substation and transmission lines in the Fulni-ô indigenous territory, in the municipality of Águas Belas (Pernambuco). Finally, the distributor Elektro is bidding on two sub-transmission lines, Línea de Transmisión Manoel da Nobrega-Mongaguá and Línea de Transmisión Mongagua-Perúíbe, located near certain indigenous villages on the southern coast of the state of Sao Paulo, and it is also working with FUNAI and a specialised company to prepare the Indigenous Component of the environmental licensing study to mitigate the impacts.

It is important to note that all of these electricity grid construction activities adhere to the principle of the Clean Production technique, which seeks to lower the local environmental impact of the operations, with reduced suppression of native vegetation, prioritising the plotting of lines through areas that are already transformed by human activity or on existing motorways, as well as the use of protected cables for greater co-existence with existing forestation.

- In the United States, in the State of California, the Tule Wind Project reached commercial operation at the beginning of 2018, and the Tribes of the Kumeyaay Nation were affected by the project, as various new cultural resources were found, but no incident arose with these communities because each of the impacts was timely handled by the company, which formally consulted with tribal representatives and the Bureau of Land Management (BLM). As part of the agreed mitigation efforts, a consultant specialising in cultural resources was hired to design a District Nomination

request pursuant to the provisions of Section 106 of the National Historic Preservation Act in order to document and help to preserve the cultural resources discovered near the project site. There was also work together with tribal representatives to determine both the location of the pavilions as well as the text of the panels to be placed in public places with specific information on the history of the region and its tribes, managed by the BLM.

- The activities of Iberdrola Mexico did not lead to incidents with indigenous communities during the reporting period.

c) Relating to public insecurity and labour practices in the hiring of security services

Another issue that is significant to the Stakeholders has been the management of security services.

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The *Corporate Security Policy* approved by Iberdrola's Board of Directors and the specific security procedures adopted by the Corporate Security Division for each situation and country are compatible both with international human rights provisions and with the laws of each country.

With the certification granted by Aenor and IQNet since 1999, renewed based on the new ISO 9001:2015 standard, the action protocols are defined and implemented in all activities and services provided.

The hiring of security and monitoring services providers is handled by the Procurement and Insurance Division using competitive tender processes in accordance with the corporate Procurement Policy, model and procedure currently in effect. The Corporate Security Division is responsible for setting the technical specifications and standards to be met by such suppliers in order to be hired, in terms of physical security, resources, training, cybersecurity, etc.

410-1

| Security personnel trained in human rights | 2018 | 2017 | 2016 |
|---|-------|-------|-------|
| Company personnel | | | |
| Company personnel (no.) | 173 | 140 | 130 |
| Company personnel trained in human rights (no.) | 172 | 139 | 120 |
| Company personnel trained in human rights (%) | 99 | 99 | 92 |
| Subcontracted personnel | | | |
| Subcontracted personnel (no.) | 1,448 | 1,483 | 1,242 |
| Subcontracted personnel trained in human rights (no.) | 909 | 1,240 | 1,059 |
| Subcontracted personnel trained in human rights (%) | 63 | 84 | 85 |

The reduction in the number of subcontracted security personnel with human rights training is due to the tender for security and monitoring services in Spain and Mexico in 2018, with the resulting subrogation to the companies providing the services. The new companies have committed to provide a specific online human rights training course for security personnel in 2019.

d) Employee training on human rights

412-2

Due to the importance that respect for human rights has for the company, there are various training initiatives to inform the entire organisation of the social and labour rights affecting the activities of the company and to train all employees on the prevention of risks in the operations of the company, mitigation and the remediation of any violation of human rights.

Iberdrola believes that all employees must become involved in compliance activities and in the dissemination and reporting of any violation in connection with this aspect, and that the entire team is responsible for ensuring that respect for human rights is a reality.

| Employee training on human rights (h) | 2018 | 2017 | 2016 |
|---------------------------------------|----------------|----------------|----------------|
| Spain | 109,595 | 73,244 | 136,790 |
| United Kingdom | 102,510 | 30,561 | 25,242 |
| United States | 15,238 | 49,247 | 32,241 |
| Brazil | 16,533 | 23,316 | 11,935 |
| Mexico | 20,832 | 25,901 | 14,526 |
| Iberdrola total | 264,708 | 202,270 | 220,736 |

Aware that internal awareness-raising alone is not enough, Iberdrola has also acted as a motivating lever for its suppliers, preparing an awareness-raising module regarding human rights, and intends to make it available to other Stakeholders.

e) Investment agreements and contracts that include human rights clauses

412-3

The policies, codes and procedures governing the operation of the company are applied in all of Iberdrola's activities, including investments. Specifically, the *Procurement Policy*, which contains the general contracting terms of the Iberdrola group, includes a specific section on respect for human rights. Specific human rights clauses are also included in the United Kingdom by application of the Modern Slavery Act approved in 2015. During financial year 2018 there were 13 projects with significant⁹⁵ investments, all located in the United States:

- In the Networks Business, Central Maine Power Company (CMP) is developing the New England Clean Energy Connect (NECEC) transmission project in New England, with an estimated capital investment of approximately 950 million dollars.
- In the Renewables Business, turbines have been acquired for the Coyote Ridge and Otter Creek wind farms in the total amount of 316 million dollars, and there are various contracts regarding the construction of the new Karankawa wind farm, as well as the repowering of the current Colorado Green wind project for almost 250 million dollars.

⁹⁵ Significant investment means one that requires more than 100 million euros or one that is considered to be significant for the company even though it requires a smaller investment due to the format or strategic importance thereof.

Support to local communities

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



GRI 413

Introduction

Iberdrola maintains a policy of strong involvement in the communities in which it operates, making a contribution to society linked to 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 regions in which it has a presence, in order to generate sustainable economic and social value.

Iberdrola's commitment to the local communities of the countries in which it operates takes shape through social activities in cooperation with governments, institutions and civil society organisations, as well as through sponsorships and patronage. The programmes of activity focused on social and economic development of the surroundings are especially significant.

These programmes and activities are implemented in various complementary ways:

- Directly by Iberdrola, through the Institutional Relations Division.
- Directly by subsidiaries or affiliates (i.e. investee companies, i.e. those in which the company has an equity interest), in their respective areas of activity.
- Sponsorship and patronage activities, primarily through [Fundación Iberdrola España](#), [ScottishPower Foundation](#) in the United Kingdom, [Avangrid Foundation](#) in the United States, [Instituto Neoenergia](#) in Brazil and [Fundación Iberdrola México](#).
- 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.

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, among other measures.

One noteworthy example is the creation of Energy Classrooms to foster an understanding of renewable production technologies, which involve not only visits to facilities but the development of an educational programme to acquire knowledge about energy, especially about renewable energy sources, and to promote an active attitude for the efficient use of energy and thus to contribute to energy saving.

Actions to support municipalities are also planned during the construction of the group's hydroelectric plants in Brazil, such as rural relocations at Baixo Iguaçu and its hydroelectric plant, where the population has been served by various programmes and there has been socio-economic monitoring of the population with a commitment to entrepreneurship.

A more detailed description of these activities can be found in "Economic/financial impact" section of Chapter II.1 Sustainable economic growth and in the "Contributions to society (LBG)" and "Foundations" sections of this chapter.

Impact assessments

413-1 413-2

In each of the countries in which the group operates, environmental impact assessment studies are performed at Iberdrola's locations of operation in accordance with applicable law prior to the construction of facilities. Activities addressing its Stakeholders are also performed, including social development programmes and participation in local communities. Almost 100 % of the company's locations of operation are subject to these types of activities, focused on meeting the needs of its Stakeholders, especially in local communities, and engaging in the most appropriate activities in all those areas that most directly affect them. The principal activities are described in greater detail below:

Iberdrola believes that the impacts of the start-up of electric power generation plants are especially significant. In the countries in which the company builds and operates 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 and assessments 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 and quality, etc. They also include an evaluation of the social and 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 of 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 and by the Community Eco-Management and Audit Scheme (EMAS). For example, in the case of nuclear plants, an environmental [Radiological Protection Programme](#) is prepared to control and monitor the impacts of the facility during the operation thereof. There are also barometers regarding the environment near the facilities, half-yearly meetings with the municipal authorities, and frequent contacts to measure the "social environment".

Most facilities have an Integrated Quality and Environmental Management System⁹⁶, 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.

Advisory committees and processes and participation of local communities in decision-making

Iberdrola plays an active role in the participation of local communities during the planning and construction of projects, expressing its points of view and making its knowledge and experience available to the government authorities. 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.

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. Along these lines, it should be noted that methods have been incorporated into the Environmental Management System so that Stakeholders can send their concerns, complaints, requests for information or any other kind of request to minimise impacts in the area.

During the planning and development of assets, prior consultations are also 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.

Set out below are some of the activities conducted by Iberdrola in this field for projects currently under development:

- In the Wholesale and Retail Business in Mexico, there have been studies of the social impact of the projects currently under construction, specifically at the Topolobampo combined cycle plants (in Ahome, Sinaloa). Based on these studies, the Secretary of Energy of the Mexican government issues a resolution setting out recommendations and actions in the social area to benefit the community: paving, improvements to educational and social centres, etc. And in Brazil, there has been a socio-economic evaluation of the area around Termopernambuco, analysing demographic aspects, surroundings, influence area of the Suape Port, basic infrastructure, cultural heritage and generation of employment.
- In the Networks Business, pursuant to procedures for the management of social impact, there is public dissemination regarding projects of a certain size, in all cases complying with the regulations of each country. Both the project and the size thereof are especially taken into account regarding the impact on road infrastructures, as well as potential impacts on the landscape.
- In the Renewables Business, since the commencement of the Tamega River hydroelectric project in Portugal, there has been an impact assessment process with the participation of Stakeholders through public consultations in the affected municipalities. In 2018 there were quarterly meetings with the Environmental Monitoring Commission (*Comissão de Acompanhamento Ambiental*) (CAA), made up of Iberdrola and various local and national entities, the objective of which is to supervise environmental aspects and socio-economic impact, which is completed with site visits. The agreements with the municipal chambers of the influence zone were also renewed.

⁹⁶ 73 % of the group's energy production is under Environmental Management System certification.

In the United States, there are social evaluations regarding community development during the planning and construction phases for potential projects. There were various consultations with communities around potential project areas in Illinois, New York, South Dakota, Oregon, Washington and Texas in 2018. The fishing fleets of Massachusetts and Rhode Island are also in the process of consultation for the Vineyard Wind offshore wind project. In Mexico, in the construction expanding the La Ventosa plant, the affected area is being restored in accordance with the ruling of the National Commission on Natural Protected Areas (*Comisión Nacional de Áreas Naturales Protegidas*). Finally, in Brazil, work is taking place at the Serra de Santana windfarm complex (under construction) on a preliminary proposal for economic activation of family farming in accordance with the nature of the region. The new facilities of Neoenergia in Brazil are committed to promoting local development activities for both urban and rural populations: projects to generate income, technical support for affected rural families, health units, schools and social centres.

During the operation phase for facilities, Iberdrola engages in different processes of participation with the various Stakeholders that it relates to and that are described in detail in the "Stakeholder engagement" section of this report.

Management of population displacements

As a prevention measure, during the planning phase for new projects, Iberdrola evaluates the land that will potentially be occupied, choosing that which involves lesser displacement of people who either reside in the immediate area or whose economic activities are affected. In this ultimately occurs, Iberdrola and the relevant government authorities review the economic, environmental and social consequences of such projects, and jointly adopt suitable corrective measures. The company believes that such processes ensure the protection of general interests in the countries where these impacts occur. The measures adopted in projects of this nature currently being developed by Iberdrola are described below.

EU22

The construction of Wholesale and Networks assets have not affected the real property of people because they are built on land acquired or assigned, and are also small in size. No person was physically or economically displaced during 2018.

As regards the Renewables Business, Iberdrola is currently developing various plants that involve displacements of population:

- In the construction of the Támeiga hydroelectric complex, in Portugal, it is expected that there will be displacement of some families as well as the occupation of pathways and farmland, pursuant to the process of Declaration of Public Interest by the Portuguese government, of which there have already been three phases. In the socio-economic and cultural action plan for the project, which actions are currently being developed and coordinated with the government administration and municipal legislatures, the affected or potentially affected families and small population centres are taken into account. The displacements that have been identified as necessary and the respective economic compensation has been provided in accordance with the law on expropriations in Portugal and the socio-economic studies and in accordance with the methodology implemented regarding the management and definition of displacements and potential economic damages. Up until 2018, after agreement with the affected families, there have already been 7 displacements of homes affected by the construction (approximately 30 people).
- In Brazil, some of the hydroelectric projects in the past caused population displacements or interfered with their economic activities. The mitigation plans that were implemented are described in the "Protection of human rights" section above. There were no displacements of people in 2018.

Contributions to society (LBG)

Social actions, in cooperation with government authorities 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 in Spain, the United Kingdom, the United States, Brazil and Mexico.

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. This standard only recognises projects that involve voluntary contributions for social or environmental protection ends, for non-profit purposes and that are not restricted to groups related to the company.

A detailed description of the LBG model can be found at the www.lbg.es.

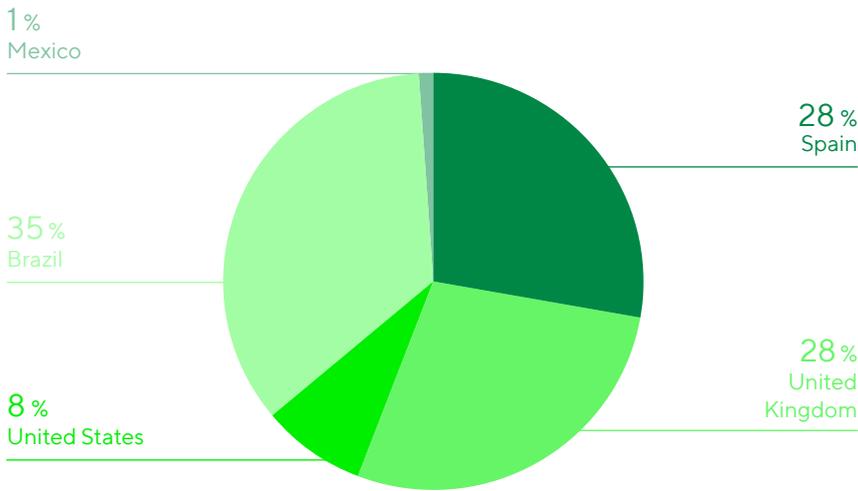


Iberdrola has used the LBG model to report its contributions to society in this *Sustainability Report* for financial year 2018.

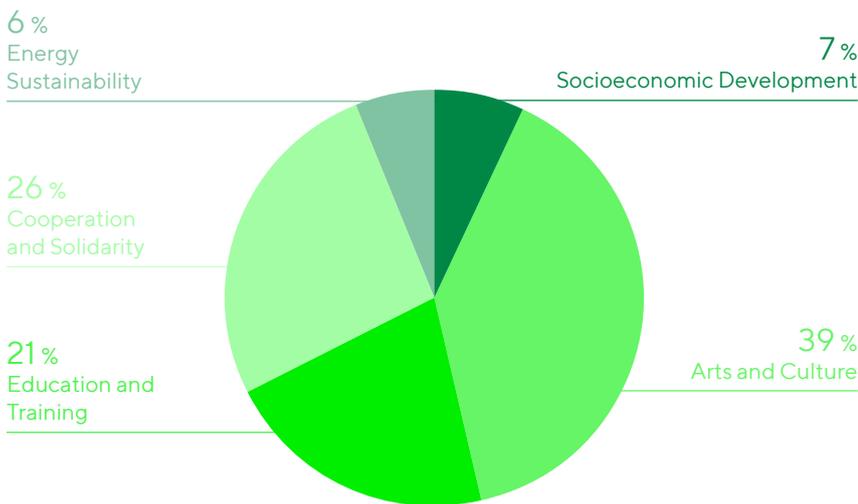
| Contribution to the community in 2018 | (euros) |
|--|-------------------|
| By category | |
| - Charitable gift | 3,481,748 |
| - Community investment | 36,268,099 |
| • Socioeconomic development of the community | |
| • Energy sustainability | |
| • Art and culture | |
| • Education and training | |
| • Cooperation and community service | |
| - Commercial initiatives in the community | 10,328,534 |
| - Management costs | 3,373,888 |
| By type of contribution | |
| - Cash contributions ⁹⁷ | 49,946,201 |
| - Staff time- Aportaciones en especie | 115,648 |
| - In-kind contributions | 16,532 |
| - Management costs | 3,373,888 |
| Total | 53,452,269 |

⁹⁷ Contributions made mostly to non-profit organisations and foundations but also to universities, government administrations, etc. provided that they meet the aforementioned LBG Model standards.

Iberdrola's contribution by region



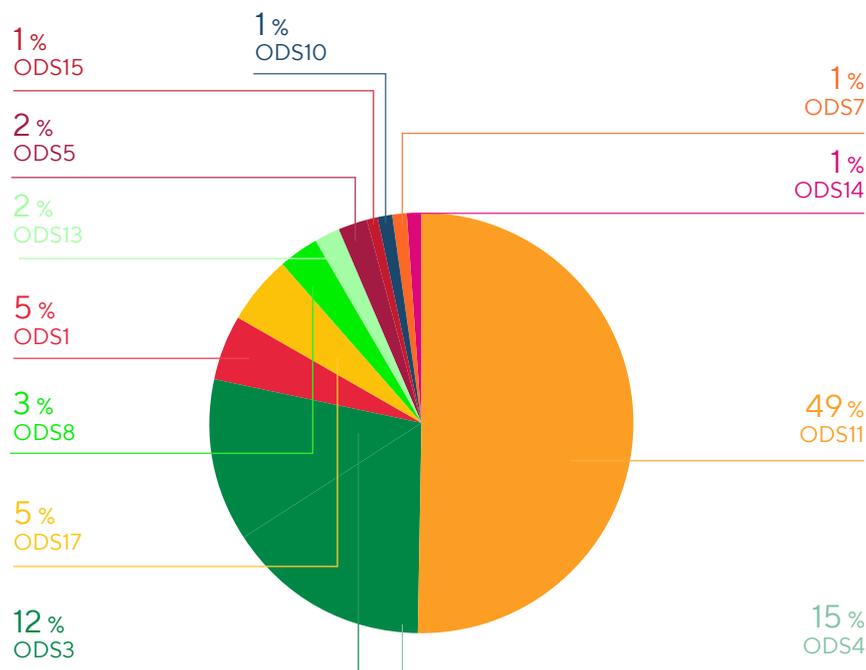
Iberdrola's contribution by programme



Also, for the second year in row, Iberdrola has evaluated the SDGs and targets to which each of its social initiatives contribute, as shown in the following table:

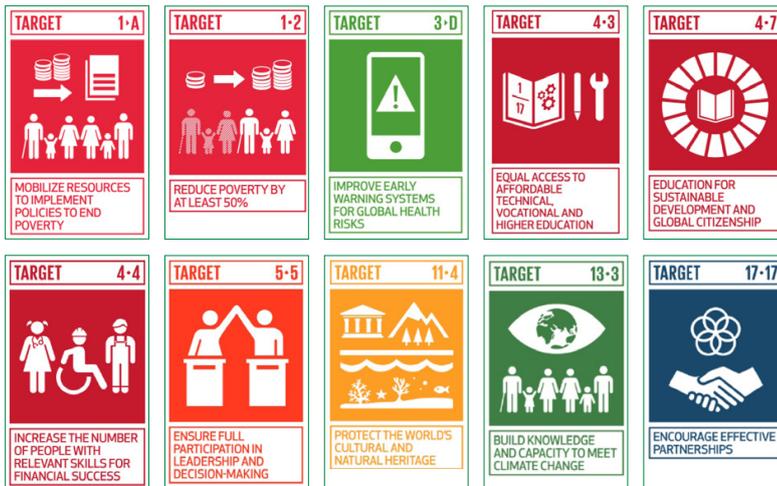
| Contribution to the community in 2018 | (euros) |
|---|-------------------|
| By Sustainable Development Goals (SDGs)⁹⁸ | |
| 1. End poverty | 2,581,838 |
| 2. Zero hunger | 10,329 |
| 3. Good health and well-being | 6,032,889 |
| 4. Quality education | 7,480,624 |
| 5. Gender equality | 1,032,313 |
| 6. Clean water and sanitation | 23,262 |
| 7. Affordable and clean energy | 487,559 |
| 8. Decent work and economic growth | 1,475,338 |
| 9. Industry, innovation and infrastructure | 155,311 |
| 10. Reduced inequalities | 612,753 |
| 11. Sustainable cities and communities | 23,574,742 |
| 12. Responsible consumption and production | 149,664 |
| 13. Climate action | 1,208,086 |
| 14. Life below water | 287,244 |
| 15. Life on land | 717,875 |
| 16. Peace, justice and strong institutions | 220,445 |
| 17. Partnerships for the goals | 2,273,652 |
| Total | 48,323,924 |

Iberdrola's Contribution by SDG



98 The breakdown of contributions to the community by SDG covers 96.5% of the figure reported, as it is not in all cases possible to establish a link between the initiatives and their contribution to an SDG.

The 10 targets for which the most contribution has been made through social actions in 2018 are described below:



Benefits for society

Iberdrola uses various parameters to measure the results achieved by its community support programmes. In its Master Plan for the 2019-2021 period, Iberdrola's foundations have among their guidelines the development of evaluation mechanisms that include a methodology adapted from LBG to measure outputs and impacts for its most important programmes and projects which include direct contributions to the Sustainable Development Goals.

In 2018, Iberdrola's foundations forged multiple alliances in Spain, the United Kingdom, the United States, Brazil and Mexico covering a total social investment of 9.3 million euros for its commitment to society in these areas of work:

- **Training and Research:** this area of work focuses on a group of young students, supporting their degree studies, technical training and languages. Education is a useful tool to promote sustainable development and these initiatives offer opportunities to youth with good academic backgrounds who do not need financial resources to engage in their studies. These projects of Fundación Iberdrola linked to training contribute to achieving SDG 4 Quality education with an investment of 1.3 million euros.
- **Biodiversity and Climate Change:** from this work area there is work with public institutions and entities dedicated to protection of the environment, contributing to the scope of specific targets of SDGs 13 Climate action and 15 Life on land with an investment of 1 million euros.
- **Art and Culture:** from this area there is work with cultural institutions, prestigious museums, public institutions and religious entities in order to promote culture and restore and conserve artistic heritage, favouring local development. This directly impacts Goals 8 Economic growth and 11 Sustainable cities and communities with an investment of 2.2 million euros.
- **Social Action:** from this area there is work with non-profit institutions, foundations and development agencies to boost social and humanitarian projects focused on the most vulnerable people and that contribute to reaching the specific goals of SDGs 1 End poverty, 3 Good health and well-being, 5 Gender equality, 7 Affordable and clean energy and 10 Reduced inequalities with an investment of 3.5 million euros.

| General objectives (GO) | Work areas | SDGs |
|--|---------------------------------|---|
| 1. Support training and research generally, prioritising innovation to contribute to energy sustainability | Training and Research |  |
| 2. Support protection of the environment and improvement of biodiversity, to actively contribute to the fight against climate change | Biodiversity and Climate Change |  |
| 3. Protect and safeguard artistic and cultural heritage: promote conservation and restoration, driving local development | Art and Culture |  |
| 4. Contribute to sustainable human development, supporting the most vulnerable people and groups | Social Action |  |
| 5. Promote partnerships that allow for actions to reach the SDGs, associated with actions by the Foundations within the Local Context. | Partnerships for the SDGs |  |

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, which has a favourable impact on relations with all of the Stakeholders.
- Achieving higher brand recognition and improving its corporate reputation.
- Improving employee satisfaction, by their belonging to a socially valued and recognised company, which favours the attraction and retention of talent.
- Strengthen focus of social action for Iberdrola's Stakeholders and for society in general.
- Contribute to the scope of the larger global challenge, the Sustainable Development Goals.
- Contribute knowledge, technical experience and skills for human development.

Corporate volunteering programme

The Iberdrola group offers its workforce various volunteer opportunities within the framework of its Corporate Volunteering Programme, in which more than 3,500 employees participated during 2018. Created in 2006, it is today a global and international project aligned with the values of the group and its *General Sustainable Development Policy*, which is intended to channel the employees' spirit of community service (solidarity) and motivate them to participate in social projects aimed at the integration of vulnerable groups, improving the environment and sustainable development.

The Programme is aligned with the Sustainable Development Goals defined by the United Nations for the 2015-2030 horizon, and especially focused on goals 3 (good health and well-being), 4 (quality education), 7 (affordable and clean energy), 10 (reduced inequalities) and 13 (climate action). This year the programme was recognised with an Innovation Award during the IMPACT2030 summit, held at the United Nations Headquarters in New York. This award recognises the innovative approaches of companies that make the most of their human capital, through corporate volunteering programmes,

to move forward in achieving the Sustainable Development Goals (SDGs). Specifically, Iberdrola was selected for being a company that innovates to educate, inspire and unite employees around the SDGs in their community, and provides opportunities for them to be agents for change and achieve an impact, as well as for its exceptional commitment to move volunteers to action on the SDGs.

Also, this year, Iberdrola became part of the governing board of Voluntare, the most important Spanish-speaking international corporate volunteering network, with a presence in both Spain and in Latin America. With this decision, the company strengthens its commitment to Corporate Volunteering as a sustainable development tool.

Iberdrola has also maintained its leadership in the Corporate Volunteerism Observatory together with the NGO Cooperación Internacional, an initiative that, since its inception, promotes study, research and training and promotion activities relating to corporate volunteerism, with the goal of helping corporations make appropriate decisions in this area.

Some of the more noteworthy corporate volunteer initiatives carried out in 2018 were the following:

- The seventh edition of the global INVOLVE (International Volunteer Vacation for Education) project, which has offered training in new technologies to youths at risk of exclusion, with a two-week stay over the summer in Brazil or Mexico, respectively, of an international team of 34 volunteers from Spain, the United Kingdom, the United States, Brazil and Mexico, supported by local volunteers as an intercultural link.
- National and international volunteer days were organised, including International Volunteer Day held simultaneously in Spain, the United Kingdom, the United States, Brazil and Mexico which, under the motto *Together we build the world that we want!*, brought together more than 1,800 participants in more than 60 simultaneous initiatives, directed towards the fight against climate change, the inclusion of vulnerable groups and raising awareness about diversity. Volunteer Days were also held in Spain, with games and sports days to encourage the normalisation and integration of persons with functional diversity.
- Cooperation initiatives for development in African countries, within the framework of the "Electricity for All" programme, and its public-private cooperation project to improve electric power supply at several refugee camps in Ethiopia, which has commenced its second phase. At the same time, the company worked on another initiative to improve access to water through photovoltaic solar systems at refugee camps in Kenya, Mauritania and Sudan.
- "Iberdrola with Refugees" has continued giving support to the Integration Schools, promoted by Fundación para el Fomento del Desarrollo y la Integración (FDI), where 104 refugees have been able to take advantage of digital tools workshops in 2018, in addition to training in the Spanish language and adjustment to the environment. These workshops have expanded their humanitarian emergency response to include a group of refugees from the Aquarius vessel who arrived in Spain, and culinary integration days have allowed for cultural exchange at various Spanish cities.
- Other international initiatives in which the company participated were "Lights... and Action!" together with Fundación Tomillo to provide energy efficiency training and develop the employability of youths from underprivileged environments, and "Know your Laws", which has favoured the integration of immigrants through courses offered by company employees with legal training. In the United Kingdom, several volunteers have made available professional knowledge on marketing or administrative work, respectively, to the social entities Glasgow Building Preservation Society and Ronald McDonald House.
- Climate action continued with global projects such as "Fight against climate change" in Spain, Mexico, Brazil and the United Kingdom to raise awareness among youth on this problem through talks at school centres, and training was offered to 6,408 children at 77 centres. "Climate Volunteers", together with AIESEC, had 29 participants from the 5 countries where the company has a presence, who had the opportunity to live a volunteer experience in Brazil, Colombia and Costa Rica to create environmental awareness in various communities.

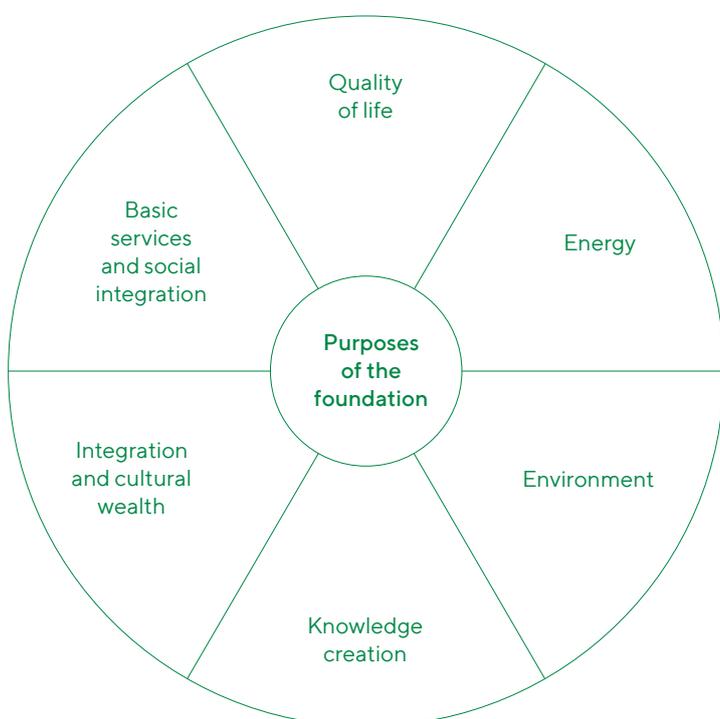
- Environmental care activities, cleaning of invasive species and reforestation in various cities in Spain, the United Kingdom, the United States, Brazil and Mexico, such as the 11th Tree Day in Spain, which has allowed for recovery of the Urdaibai (Biscay) Biosphere Reserve and thus continue with the "Iberdrola Forest" project, and participation in SEO/BirdLife's "LIBERA" initiative together with Ecoembes, with its large cooperative trash collection at various points in Spain to raise awareness concerning nature without trash.
- Projects to offer a new life for unused objects, such as "Solidarity Recycling", combining solidarity and environmental ends, which has continued to collect plastic plugs and has expanded the scope of its activities by including the collection of prescription glasses for donation to refugee camp inhabitants in Lesbos (Greece).
- Sports competitions with environmental ends, such as the ECORUN race.
- International food collection campaigns, which have allowed for the collection of more than 6.5 tons of basic foodstuffs and children's products. This activity ended with volunteer activities at social canteens and distribution of food to homeless persons.
- The company participated in various sports competitions aimed at the integration of vulnerable groups, such as the "Capacities Race", "Run for Syria", "Final Four. First National Wheelchair Basketball Competition, HePA Race and various races to support cancer victims, such as the Race against Cancer to support the Asociación Española Contra el Cáncer, "Mexico Special Olympics for integration", "11th Nobody Gives Up Here Race" to support Mexican children with cancer, and the "I run VS Cancer" race.
- Activities to promote the independence of vulnerable women, such as the "Women with their Own Light" Literary Workshop, or a sports day adapted for women with functional diversity for Women's Day.
- Childhood support activities with various entities such as Aldeas Infantiles, the Asociación Española de Ayuda a Niños con Enfermedades Hepáticas y Transplantados Hepáticos (HEPA) in Spain, the Red Cross in the "Their rights at stake" campaign or "Solidarity Tree" which has offered support for more than 10 Brazilian institutions to assist the minors who are part of their programmes. There are also other activities in Mexico and the United Kingdom.
- Participation in the International Corporate Volunteering Week which, under the "Give & Gain" motto, offers visibility and promotes the role of corporate volunteering as an agent for social change.

The company continues its links with the main international work groups and volunteer associations, such as Voluntare, EVEN (Employee Volunteering European Network), IMPACT 2030 and IAVE, participating in their International Conferences, where we share our volunteering good practices.

The *Volunteer Portal* continues to be the meeting point for all professionals of the group interested in social and community service actions, using a global and trilingual website. The *Volunteerism Newsletter* has provided weekly information on activities.

Foundations

ScottishPower Foundation, Avangrid Foundation, Fundación Iberdrola México, Instituto Neoenergia and Fundación Iberdrola España represent Iberdrola’s commitment to sustainable development in the countries in which it does business. Pursuant to the Master Plan, the foundations have updated their mission, vision and values to include among their purposes and principles the contribution to the achievement of the Sustainable Development Goals (SDGs). The 2030 Agenda, promoted by the United Nations General Assembly, provides a unique opportunity for global transformation leading to more inclusive and sustainable development models. Along these lines, the foundations prioritise their focus on sustainable human development in order to define objectives linked to programmes and specific aims under the SDGs and to contribute to fostering positive changes for the most vulnerable people and for the planet. It should also be noted that they engage in specific collaboration with other cultural, social, scientific and cooperation institutions in all of the countries.

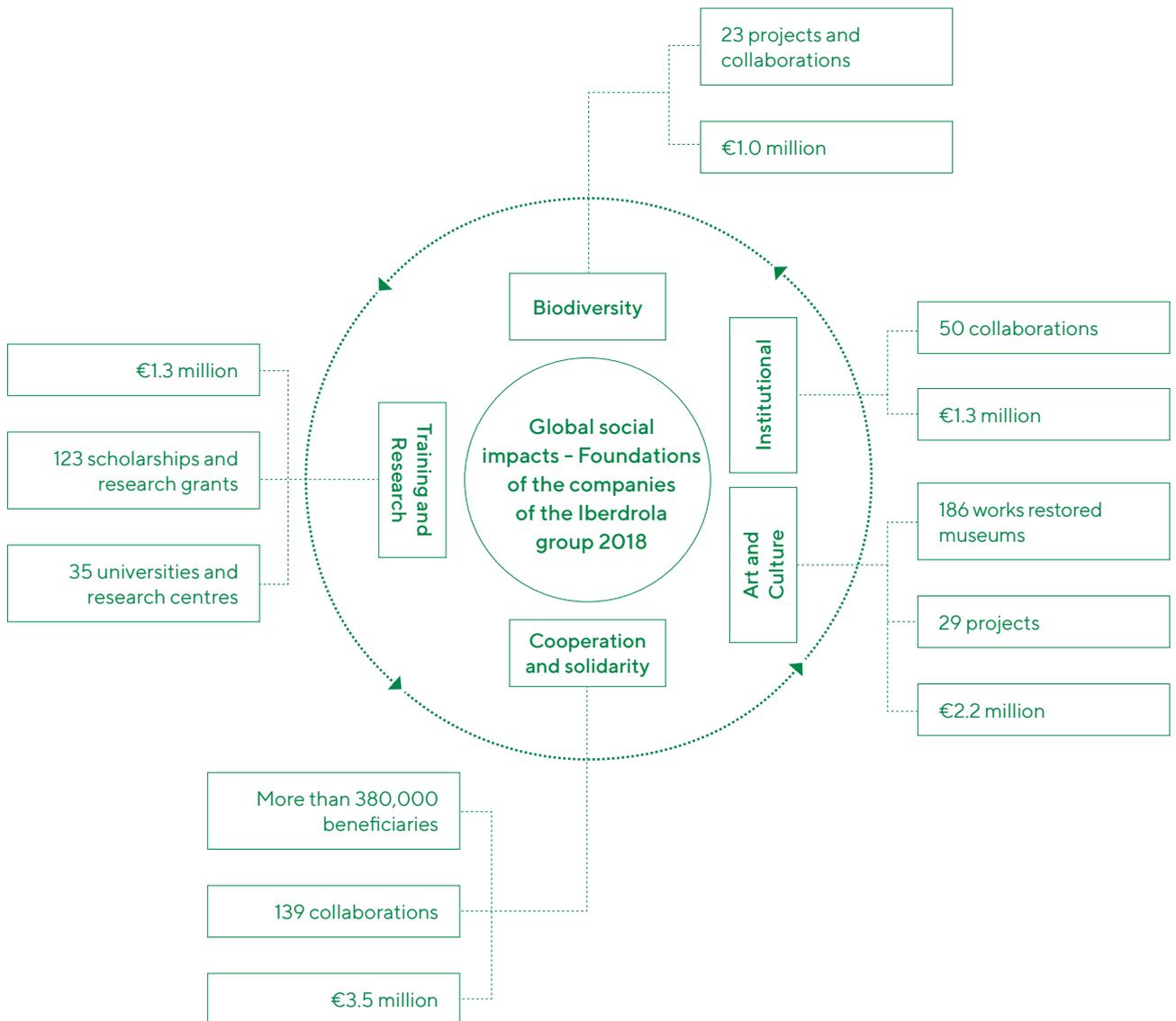


The charts below show the economic impact of the activities of Iberdrola’s foundations by global achievement and by country during 2018 (also shown in the social contribution figures in accordance with the LBG Model previously reported upon in this chapter):

| Activities of Iberdrola Foundations by area of activity (€ millions) | 2018 |
|--|------|
| Training and research | 1.3 |
| Climate change | 1.0 |
| Art and culture | 2.2 |
| Solidarity and cooperation | 3.5 |
| Institutional collaboration | 1.3 |

| Activities of Iberdrola Foundations by country (€ millions) | 2018 |
|---|------|
| Spain | 5.5 |
| United Kingdom | 1.2 |
| United States | 2.1 |
| Brazil | 0.3 |
| Mexico | 0.3 |

**Foundations of the companies of the Iberdrola group
Results in areas of activity in 2018 (€)**



The results and achievements by country are available in Annex 1 – Supplementary information.

Training and Research Area: aids for course studies, scholarships and research

The new foundations Master Plan now takes a fresh approach in order to advance equality of opportunity for access to education by means of a new Support Programme for course studies that includes the following projects:

In the United States:

- *KVCC Lineworkers* in the training of electricians in Maine, through scholarships in the CMP Lineworker Technology Programme, to train specialists while prioritising the inclusion of young women in the energy sector.
- *Monroe Community College Foundation – Salute to Excellence* (Rochester): scholarships for underprivileged students, giving them the opportunity to complete their higher education and overcome barriers to complete their university studies.
- *Binghamton University Foundation*: two-semester course in which the students participate in real engineering projects, together with Binghamton University, the Kopernik Observatory and Science Park, the Chesapeake Alliance Discovery Centre for the Protection of the Alaskan Malamute, Broome Humane Society, Willow's Wings Animal Sanctuary & Rescue, and The Community Foundation Greater New Haven.

In Mexico:

- There is a programme of collaboration with the Tecnológico de Monterrey University at its Altamira campus for the education of low-income youth in bachelor's and engineering degrees.

In Spain:

- Initiatives for linguistic immersion in English: the aim is to teach English to school students in their 3rd and 4th years of Compulsory Secondary Education. The selection of the students is made by the Education Department of several Autonomous Communities that participate in the programme, according to objective criteria of academic excellence and financial resources. The programme promotes and facilitates the participation of students in rural areas, given that this is the profile of student that finds it most difficult to access this kind of training. Iberdrola offers its facilities over the summer and Easter periods as a venue for these courses. A total of 80 students and 22 teachers have participated in the summer courses in Castile and León, Extremadura and the Valencian Community.

This area also benefitted from scholarships and research grants in 2018:

- Fundación Iberdrola México has awarded a total of 13 scholarships to underprivileged students at the Altamira Technical Training centre with the aim of achieving the inclusion of these vulnerable youths.
- Instituto Neoenergia in Brazil has awarded 9 scholarships in order to allow youths to pursue an international master's degree, thus promoting the training of high-level professionals who are capable of contributing to the development of a sustainable energy service.
- Fundación Iberdrola España has awarded a total of 56 scholarships and grants, 20 of which focus on energy and environmental research. A call for scholarships has also been launched through Fundación Carolina to pursue energy and environment master's degrees at Spanish universities, and 2 Fullbright scholarships have been awarded for energy and environment master's degrees.

In collaboration with ICAI - Universidad de Comillas, Iberdrola has announced a call for 9 scholarships for undergraduate students in order to help with their studies. There are also scholarships for leading museums: 3 for restoration and conservation at the Prado Museum and 2 for the Bilbao Museum of Fine Arts. In the area of sports, the foundation continues to support the Paralympics by awarding 10 support grants to undergraduate sportspeople.

The company also manages other training programmes, as set forth in greater detail in the "Creation of employment and salaries" section of chapter II.1

Biodiversity and Climate Change Area: conservation of birds, habitats and ecosystems

In Spain, particularly noteworthy is the Migra project, aimed at monitoring the movements of migratory birds, in collaboration with the Spanish Ornithology Society SEO/BirdLife. At the end of 2018, the programme has 946 birds tagged from 32 different species. During the financial year, 10 Montagu's harriers have been tagged, and information has been downloaded about the lesser kestrels tagged with nano-GPS last year with the collaboration of Grefa, the Córdoba Zoo and the City Council of Alcalá de Henares. Finally, several days were devoted to recapturing common and pallid swifts tagged in prior years, with two birds having been recaptured in Barcelona.

Another important initiative is the signing of a collaboration agreement with the Fundación para la Conservación del Quebrantahuesos (Bearded Vulture Conservation Foundation) with a view to studying the influence of climate change on this and other alpine birds. In 2018, 39 boxes were installed to capture insects, and for 72 nights hematophagous mosquito traps were set using ultra-violet light and CO₂ as attractants. 32 samples were obtained, which were taken to the University of Veterinary Medicine of Zaragoza, where they continue to be studied.

In the United Kingdom, support is given to the Dolphin Watch project for the protection of dolphins at the Sussex Wildlife Trust. The Foundation supports the 50th anniversary of this education centre and nature reserve with outreach and awareness-raising projects regarding the conservation and care of habitats.

In the United States, support has been given to Riverkeeper in New York, an initiative to help transform the Jettie S. Tisdale school, Johnson Oak Park in the impoverished East End of Bridgeport. It highlights the evolution and importance of parks in terms of urban biodiversity, human health, access and equality, the economy and other benefits. In partnership with the City of Bridgeport and other Stakeholders, efforts have centred around engaging the community in designing the restored green space known as Park City.

On land located near the Industrial Port zone of Altamira in Mexico, a project is being promoted that is devoted to the conservation of Felines, which aims to guarantee the survival of a number of jaguars, jaguarondis, ocelots and bobcats that inhabit the region. Progress has been made in the creation and demarcation of biological corridors facilitating the safe passage of these animals in danger of extinction.

The conservation of the Mangrove is another of the projects promoted by Fundación Iberdrola México to ensure the survival and encourage the increase of flora and fauna in the mangrove ecosystem through constant monitoring, research and demarcations that ensure permanence there. Another initiative is the conservation project Parque Estatal Cañón de Fernández, in partnership with PRONATUR in the Fernández Canyon, to protect biological and ecological processes in the area and provide environmental services in the ecosystems of the state park.

Of note in Brazil is the *Flyways* project for the conservation of wader birds and endangered species. In collaboration with *Save Brazil*, support is also given to a project devoted to the conservation of endangered birds in the area of Rio Grande do Norte. The last census carried out yielded 4 species of endangered wader birds, a total of 306 specimens. Finally, outreach activities have been developed regarding wader birds and the importance of conservation of their habitat, for students and teachers of the *Maria Salete Martins* School.

Eco-citizen: building a sustainable future is another initiative in Brazil that focuses on training professionals in sustainable technology systems and their roll-out in communities that are socially at risk. The project includes training activities for professionals in the area of eco-construction, through free courses for training and implementation of sustainable technology systems in socially vulnerable communities. In order to promote this social initiative, a community vegetable garden was started, using sustainable techniques.

Art and Culture Area: programmes for lighting, restoration and support to museums

The Iberdrola Foundations Lighting Programme is mainly focused on improving the interior and/or exterior lighting of remarkable buildings, to showcase the historical-artistic heritage. The use of new LED technology entails a series of advantages such as improving conservation, increasing energy efficiency (on average 75 % more than conventional bulbs) and reducing maintenance expenses thanks to a much longer-lasting useful life. In addition to the artistic, economic and environmental benefits, one must add the potential of these projects that favour economic activity, facilitating local development around the historical-artistic heritage. The most significant projects in 2018 were the following:

- In the United States, Avangrid Foundation has sponsored lighting projects in the Morgan, Hilles, Austin and Wadsworth 301-303 galleries, replacing 2,625 bulbs with LED technology.
- The Foundation in Mexico champions the MUNAL Programme to light halls in Mexico's National Museum of Art (MUNAL), improve energy efficiency and play a role in conserving the works of art in this museum.
- The Foundation in Spain has launched and completed quite significant projects in 2018: exterior lighting on the façade of the Monastery of Uclés, decorative lighting of the Royal Pantheon at San Isidoro de León Collegiate Church, the Military Museum in Toledo and the restoration workshop at the Royal Tapestry Factory using the latest LED technology. Work continues on the projects of the Ávila Cathedral, the Salamanca Cathedral, the Fonseca School, the Talavera Basilica, the Barrena Palace in Ordizia, Valdepeñas Church and the Supreme Court in Madrid.
- Instituto Neoenergia has been the driving force behind the projects for lighting of the Cinco Pontas Fort in Recife and for restoration of the Barra Grande Fort in Guarujá, Brazil.

Also in Spain, the Iberdrola Museum Programme collaborates with the Restoration Workshops of the Prado Museum and the Bilbao Museum of Fine Arts for the conservation of paintings, sculptures and works of art on paper at their art galleries. This museum has also promoted the Art to Touch Programme for persons with disabilities, especially those who are visually handicapped.

Another significant restoration initiative is the Atlantic Romanesque Plan involving church buildings in Spain and Portugal.

Within the scope of the Restoration Programme, the following projects have been completed: Tapestries of the Royal College of the Patriarch, the altarpiece of the Cuenca Cathedral, the codices of the Yuso Monastery Library and the restoration of the three flags of Saigon owned by the Naval Museum of Madrid. In the last months of 2018, work has started on a project to restore the altarpiece of the church of San Martín de Tours, in Villarmentero de Campos, Palencia.

The Exhibitions Programme has had two main initiatives: in Spain, the exhibition Sorolla and Fashion with simultaneous and complementary exhibits at the Sorolla Museum and the Thyssen-Bornemisza Museum. The exhibition brings together more than seventy paintings from museums and national and international private collections, some of them never previously exhibited to the public, together with a significant collection of period dresses and accessories, with valuable pieces also loaned by prominent institutions and private collections, many of them previously unseen.

In Mexico there has been a temporary exhibition of European and Novohispanic paintings promoted by the Foundation in Mexico and the MUNAL Museum under the title *Caravaggio. A work, a legacy*. Another exhibition promoted by Iberdrola's foundation in Mexico is *Nahui Olin. La mirada infinita*, showcasing a representative collection of the Mexican avant-garde artist María del Carmen Mondragón, with collaborators being invited to the opening and enjoying a guided tour round the temporary exhibition.

The Art and Culture Outreach Programme has the ScottishPower Foundation as a point of reference. The following initiatives were supported in 2018:

- The international scenic arts festival Futureproof, aimed at young people from different backgrounds and communities. This is a multi-artistic and multi-platform space that will be set up in ten areas in Scotland and will be shared with the rest of the United Kingdom via social networks.

- *Art Promotion Llangollen International Musical Eisteddfod* is based on previous work to promote art education, reduce inequality of opportunity and make Eisteddfod a truly inclusive event. This project will improve the skills and confidence of participants that face difficult circumstances and will result in the creation of a unique music and dance presentation that celebrates diversity. The project will also enhance the dimension of culture, beliefs and community commitment, and will promote respect and understanding.
- National Museums Scotland. *Powering Up 2.0*. Financing will make it possible to improve the successful *Get Energized* programme, recognised by teachers as an excellent and attractive initiative to promote and disseminate cultural activities in Edinburgh.

Among the projects implemented by Avangrid Foundation, the following cultural events are particularly noteworthy: The *International Festival of Arts & Ideas* (Connecticut) aimed at creating and producing plays with a special focus on community education and engagement, and the Rochester Area Community Foundation/*Rochester International Jazz Festival* (New York), which is internationally acclaimed, attracts a large and diverse audience and celebrates and develops the local community. Finally, through Barrington Stage Company (Massachusetts), Avangrid Foundation develops the *Playwright Mentoring* theatre programme, which offers teenagers at risk (13 to 19) a safe place where they can talk about the serious challenges in their daily life, using their own life stories as a basis for creating original plays. The project provides participants a protective space for young people.

Cooperation and Solidarity Area

Iberdrola's Foundations consolidate their *Social Programme* in order to contribute to improving the quality of life of the most vulnerable groups, with a special focus on childhood, youth and women. The programme works with non-profit institutions devoted to eradicating child poverty, fostering education as a useful tool for youths, promoting the social inclusion of persons with disabilities and improving the quality of life of persons who are seriously ill and their families.

Spain:

In 2018, 52 alliances have been entered into with non-profit social organisations and local institutions to provide support to 22 solidarity initiatives and promote 35 finalist projects, with an investment in excess of one million euros and a positive impact on 65,000 beneficiaries, which has entailed the creation of one hundred direct jobs. The programme works along three lines of action, and the following are the most significant collaboration projects:

- Projects to eradicate child poverty:
 - Asociación Ciudad Joven: school support, leisure and free time for the social inclusion of children.
 - Fundación Balia por la Infancia: "Aula BALIA" for boys and girls at risk of social exclusion.
 - Candelita: "Conduce a tu futuro" ("Lead your future"): guidance, training and support for vulnerable women to facilitate access to employment.
 - Fundación Altius: "Jóvenes en la cocina" ("Youths in the kitchen"): social and occupational inclusion of 250 unemployed youths at risk of exclusion.
 - Fundación Tomillo: training in energy efficiency aimed at vulnerable youths as drivers of social change.
 - Ayuda en Acción: "Re-Ilumina": equality of opportunity for quality education.
 - Amigó: "Proyecto conviviendo" ("Living together Project"): prevention of violence among teenagers and their families in the Basque Country and Madrid.
 - Ilundai Haritz Berri: "Bizi-Baso", the forest of life: support for the social and occupational inclusion of vulnerable youths.
 - Bizitegi: temporary lodging for homeless women.
 - Columbares: comprehensive service for socially vulnerable children in the municipality of Murcia.
 - Fundación Anar: involvement with children, victims of gender-based violence through the ANAR phone line.

- Save the Children Foundation: fight against child poverty and social and occupational inclusion for children, teenagers and families.
- Projects focused on the autonomy of persons with disabilities:
 - Upacesur: medical-functional rehabilitation of children and youths with cerebral palsy and other multiple disabilities.
 - Fundación Síndrome de Down: training and occupational integration project. Social entrepreneurship as a component of personal development and the occupational inclusion of youths.
 - ADSIS: support services in the transition to adult life for youths at risk of social exclusion.
 - AMICOS: training for persons with disabilities.
 - ASPRODEMA: "Tendiendo puentes a la comunidad" ("Building bridges with the community"), support resources centre for the promotion of personal autonomy.
 - ASOCIDE: "Guides-Interpreters for deaf and blind persons – communication is possible". Support for deaf and blind persons in their daily activities with the help of specialised guides-interpreters.
 - ANFAS: model centred around families and natural contexts with a focus on early care (3 to 6 years).
 - GUREAK: "Nuevos pasos" ("New steps"), a social and occupational inclusion of persons with disabilities.
 - ASIDO: "Quiero vivir mi propia vida" ("I want to live my own life"), a project promoting personal autonomy in persons with intellectual disabilities.
- Projects to improve the quality of life of seriously ill persons:
 - ASPANION: psycho-social and financial support for children with cancer and their families.
 - AMAMEC: "Mucho por vivir" ("A lot to live"), psychological, physical and social care for women suffering from breast cancer.
 - AECC: emergency social and psychological care for families at risk of social exclusion due to oncologic disease.
 - Menudos Corazones: integration programme based on leisure and free time for children, teenagers and youths with heart disease.
 - Proyecto Hombre: various types of collaboration with institutions engaged in the Proyecto Hombre programme and which develop projects focusing on therapeutic intervention in cases of comorbidity, addictions and psychiatric disorders; learning and service programme for the promotion of leisure among young people; dual approach to the treatment of persons affected by addictions; treatment and reinsertion programme for persons with alcohol addiction problems.

In the United Kingdom:

- Alzheimer Scotland: The *Dementia Friends* programme aims to foster the public's understanding of and empathy towards this disease, so that persons suffering from dementia feel supported, accepted and welcome in their communities.
- Bangor University: The ReachingWider association focuses on higher education for vulnerable people in Wales. Its *Bright Sparks* initiative aims to encourage and inspire students and help them achieve their potential in the science, technology, engineering and mathematics (STEM) schools across the six regions in North Wales.
- Adventure for All: The Bendrigg Trust is an outdoor education centre specifically for disabled people. Its goal is to help them integrate into society, achieve independence and become healthier through adventure activities and spending time away from home.
- Live Music Off the Grid! The project involves providing live music at health centres and hospitals in remote areas such as the Scottish Highlands & Islands, Dumfries & Galloway, Kintyre, Cumbria, Northern Ireland, Wales, Devon and Cornwall.

- Prince & Princess of Wales Hospice: Provides specialised free palliative care in Glasgow to terminally ill patients, offering support to their families and carers.
- The Manchester Young Men's Christian Association: Backing of the Mental Health Champions project targeting young men to halt the rise in mental health problems. It also helps young men's parents, teachers and employers to provide better support.
- The Outward Bound Trust: This project enables young people to get involved in community activities by spending five days at the Loch Eil centre. Everyone taking part is to attend an event to share their experiences with friends and families, and 6 young people will be chosen to take part in a summer programme.
- The Great Steward of Scotland's Dumfries House Trust. *Engineering Education Programme*. The Engineering Education Centre provides indoor and outdoor experience-based learning for early primary school and secondary school students. The financing will help pay for students' school visits in South West Scotland and will contribute to their development and growth. It will also support family/public participation events. The aim of the programme is to reach a wider geographical area and also encourage the participation of schools that did not have the chance to take part in STEM activities in the past.

In the United States:

- *Operation Fuel*: Ensures that struggling families have access to year-round energy assistance in more than one hundred towns across Connecticut. Local government and community-based organisations take part in this project. It includes other activities to guarantee basic needs such as distribution of food, clothes, etc.
- Yale New-Haven Hospital (Connecticut): Ongoing support for the Yale-New Haven Hospital McGivney Center for Musculoskeletal Care, which provides specialist care and the best relief possible for patients with chronic diseases. The hospital has a specific mission to meet the needs of the most vulnerable people.
- United Way Worldwide - Trust - Employee Match (Connecticut & Massachusetts): Support for community-based organisations that encourage volunteering for the common good.
- *Working for Worcester* (Massachusetts): Improvements to recreational infrastructure and school facilities, parks, community centres, sports fields and other leisure/free time spaces in Worcester.
- Urban League of Rochester: Early Acquisition programme for transition from secondary school to university, by means of which young people from minority and disadvantaged groups are provided with training for university, work and life. The mission of the *Urban League of Rochester*, New York is to enable Afro-Americans, Latinos and other disadvantaged persons to secure economic self-reliance and to guarantee civil rights, removing all barriers to equal participation in the economic and social mainstream of America.
- Chelsea Hicks Foundation: Therapeutic play project for more than 2,400 children and their families every year in local hospitals.
- *Progress Center*: The project offers students at risk or from low-income households in the Oxford Hills area new backpacks and school supplies to start the new school year.
- Food Bank of Western Mass., to significantly reduce food insecurity among residents of the counties of Berkshire, Franklin and Hampden.
- Ronald McDonald House of Connecticut and Western Massachusetts: Refuge home for children receiving medical treatment and their families. It helps to create a homely atmosphere, to have a wide variety of supplies to choose from to prepare breakfast, lunch and dinner for the families, and is essential to ease the financial burden of having to buy all food out, thus enabling the families to focus on what matters most: the health and well-being of their children.

Mexico:

The Asociación Civil Excelencia Educativa offers boys and girls a participative space where they can be active subjects in the learning process, enjoying new ways of approaching knowledge. This initiative was carried out throughout 2018 in 11 schools located near Iberdrola plants and installations.

Brazil:

Particularly significant is the *Jovens Brilhantes* (Young Brilliant People) project, to help children and adolescents in the state school system develop the skills and competencies needed for the 21st century. Target subjects are STEM (science, technology, engineering and mathematics) and a nurturing and interactive approach is taken to meet the real challenges faced in society. The institute also collaborates with UNICEF and the Ayrton Senna Foundation on projects helping children at risk.

International Cooperation Programme for Human Development

The International Cooperation Programme addresses humanitarian crises and promotes multi-sector alliances in order to foster sustainable development and overcome situations of extreme poverty through the electrification of basic social infrastructures (schools, health or community centres, etc.), with education and technical training components that promote productive and local development actions and the provision of help in humanitarian emergency crises. The most significant alliances are:

- The SHIRE Alliance, promoting access to electricity in refugee camps. This initiative is promoted by the Universidad Politécnica de Madrid, and also has the support of the UNHCR, AECID and the European Union.
- ILUMEXICO contributes to the development of marginalised communities in Mexico where there is no access to the national electricity grid or where the service they receive is poor. Infrastructure and community work programme relating to renewable energy.
- Migrant Children Alliance in Sahel: led by Save the Children, it promotes a system for the protection of migrant boys and girls through a network of care and training centres in Mauritania with the participation of the European Union.

As regards humanitarian emergencies, mention should be made of the negative impact of Hurricane Harvey, which affected Florida's most vulnerable population. In the United States, the company continues to collaborate with the Red Cross (American Red Cross Disaster Relief) to help victims and contribute to reconstruction in the affected areas of Puerto Rico.

Institutional collaboration

Finally, the Foundations engage in specific collaboration with other cultural, social, scientific and cooperation institutions in the respective countries.

Iberdrola and the Global Compact

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 Red Española del Pacto Mundial (Spanish Global Compact Network), 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 UN Global Compact website

During 2018, Iberdrola took in the following actions in connection with the Global Compact:

- Submission of the Progress Report 2017 on compliance with the principles of the Compact, rated at the highest level for this type of report ("*GC Advanced*").
- Attendance at the 2018 General Assembly of the Red Española.
- Iberdrola and the Red Española del Pacto Mundial have developed the *Moving for Climate NOW* initiative, within the framework of the COP24 Climate Summit held in Katowice (Poland) in November 2018.
- Iberdrola participated with the Global Compact on numerous initiatives to promote and develop the Sustainable Development Goals, which can be seen in the "Iberdrola's contribution to the SDGs" section of Chapter I. About Iberdrola.
- Active collaboration in promoting sustainable finances and creating robust sustainability reporting frameworks through participation in the Platforms on *Financial Innovation for the SDGs* and *SDG Reporting*.
- Encourage the global process of climate action in its role as a sponsor of the Pathways to Low-Carbon and Resilient Development Platform. In this area, also quite noteworthy is Iberdrola's contribution to the preparation of the "Ambition Loop" report, focused on generating dynamics to increase ambitions in the area of climate change, and participation at meetings and events held at the principal climate change milestones during 2018 (Katowice Climate Summit, New York Climate Week, etc.).
- Highest level of support for Global Compact events, with the participation of Iberdrola's chairman at the *UN Global Compact Leaders Summit* held within the framework of the United Nations General Assembly in September 2018.

As mentioned above and shown both in these joint activities and in its daily work, Iberdrola has linked the SDGs to its business strategy, and actively works with the Global Compact to contribute to the achievement thereof, within its scope of activities.

In 2019, Iberdrola will continue to actively participate in the activities of the Red Española del Pacto Mundial in a manner similar to the past year.

II.6. Promotion of Socially Responsible Practices in the Supply Chain

- Description of the supply chain
- Sustainable management of the supply chain



Main Priorities of the SR Plan

- Sustainable economic growth
 - Workplace health & safety and personal development
 - Fight against climate change and protecting biodiversity
 - Innovation digitalization and quality for our customers
 - Contributing to the wellbeing of our communities
 - Good governance, transparency and stakeholder engagement
 - Promoting CSR in the supply chain ✓
-

Description of the supply chain

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The Iberdrola group’s supply chain consists of two different processes:

- The acquisition of material and equipment and the procurement of works and services is the responsibility of the group’s Procurement and Insurance Division.
- The acquisition of fuel, handled by the Wholesale and Retail Business.

Both processes 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. However, each of them has specific characteristics in their various phases: registration and classification of suppliers, bidding process, execution of contracts, monitoring of contractual terms, and quality control.

Acquisition of material and equipment and procurement of works and services

The mission of the group’s Procurement and Insurance Division is to implement on a corporate and centralised basis the procurement of equipment and material (other than energy), as well as works and services and insurance programmes (other than life and casualty, health and pension insurance) for the entire Iberdrola group, meeting the strategic goals established by the Board of Directors.



“Efficiency in costs, strategic alignment with the Iberdrola group and ethics guide our procurement activity, contracting and management of operational risks”

The group’s high purchase volumes are a driver of growth for 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.

Iberdrola placed orders with approximately 23,300 suppliers during 2018. A breakdown of the economic and geographic volume is set out in the following table:

| General supply of equipment, materials, works and services (€ millions) | 2018 ⁹⁹ | 2017 | 2016 |
|---|--------------------|--------------|--------------|
| Spain | 1,564 | 1,406 | 1,354 |
| United Kingdom | 1,775 | 1,663 | 2,134 |
| United States | 1,945 | 2,467 | 2,146 |
| Brazil | 1,335 | 1,500 | 1,242 |
| Mexico | 957 | 902 | 453 |
| Other countries | 177 | 676 | 179 |
| Total | 7,753 | 8,614 | 7,508 |

The difference in the amount compared to 2017 was mainly due to the fact that there was invoicing for the turbines of the Wikingør offshore wind farm and turbines for wind farms in the United States during the financial year.

Acquisition of fuel

Iberdrola dedicated more than 3,300 million euros to the acquisition of natural gas, uranium and coal in 2018. The purchases of uranium are made in Spain and only through Empresa Nacional del Uranio (Enusa). Acquisitions of natural gas and coal are made on the international market, mainly through long-term commercial relationships with some 11 large domestic and international suppliers and market operators (producers and traders). Coal was only 1.3 % of the total amount of fuel.

Spending on local suppliers

Iberdrola follows a local supplier strategy for its strategic contracting that has allowed for the creation of indirect employment and the maintenance of a strong industrial fabric in the countries in which it does business. The following table shows the percentage volume of procurement from local suppliers:

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| Acquisition or contracting of materials, equipment, works and services from local suppliers ¹⁰⁰ (%) | 2018 | 2017 | 2016 |
|--|-----------|-----------|-----------|
| Spain | 85 | 88 | 93 |
| United Kingdom | 71 | 85 | 69 |
| United States | 97 | 98 | 98 |
| Brazil | 100 | 100 | 100 |
| Mexico | 69 | 60 | 66 |
| Other countries | 65 | 76 | N/A |
| Iberdrola total | 85 | 88 | 84 |

⁹⁹ Volume billed during the financial year. Amount awarded in 2018: €8,930 M.

¹⁰⁰ Based on the Tax ID or CIF assigned to the supplier, those registered in the main countries in which Iberdrola does business are considered to be local.

Sustainable management of the supply chain

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



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Promotion of sustainability amount suppliers

From the viewpoint of sustainability and responsibility, Iberdrola is market driver, 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.

In the initial registration and classification of the supplier, sustainability has a weight of 40 % in the total score, with the other 60 % being its financial situation and technical solvency.

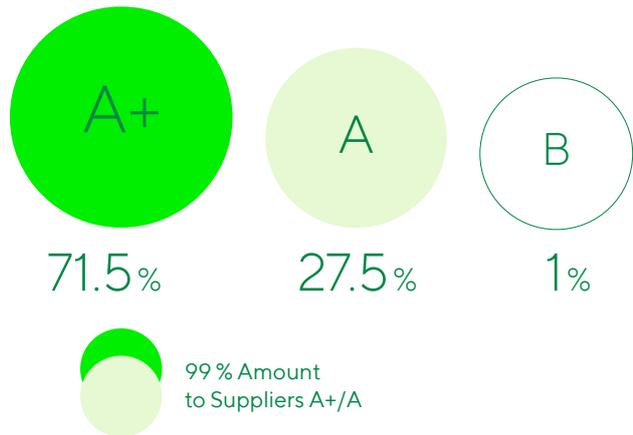
Supplier sustainability evaluation model: *CSR Scoring*

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. Dimensions evaluated:

| Leadership (20 %) | Dialogue (15 %) | Management Systems (45 %) | Communication (20 %) |
|--|---|--|---|
| <ul style="list-style-type: none"> • International CSR Initiatives • Good Labour Practices • Good Ethical Practices | <ul style="list-style-type: none"> • CSR Learning Platforms • Stakeholder Relations | <ul style="list-style-type: none"> • CSR Management System • Supplier Requirements <ul style="list-style-type: none"> • Quality System • Environmental System • Risk Prevention System | <ul style="list-style-type: none"> • Communication Platforms • Third Party Data Assurance |

The evaluation provides added value to suppliers, allowing them to know the areas for improvement in order to focus their efforts in the area of social responsibility.

The 2018 CSR scoring data¹⁰¹ regarding the volume of purchases analysed (89 % of the group's total procurement) are shown below:



Improvement goals have been established throughout the Procurement Division team relating to the increase in procurement with analysed suppliers and the increase in the percentage of procurement from A+ suppliers. Consequently, the supplier is motivated to improve its profile by actions promoting excellence in business management, as well as the Procurement Division being incentivized through quantifiable objectives to choose those companies showing good performance in social responsibility.

For those suppliers scoring B and A, a notice is sent and specific traction applied to their situation so that they try to improve to A+, causing the suppliers to commit during the year to improve the lesser developed areas.

During the financial year, there were 114 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.

During 2018, Iberdrola received no external complaints from authorised channels 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.

Procurement of fuel

Fuel procurement is also subject to the general principles of Iberdrola's sustainable development policies, which require the encouragement of suppliers to engage in activities that are socially responsible, respectful of the environment and prevent occupational risks.

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 CO₂ 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 sustainability. 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.

Iberdrola belongs to the international BetterCoal platform, which includes some of the leading European coal-purchasing energy companies. 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.

¹⁰¹ "A+" suppliers above the average. "A" suppliers within the average. "B" suppliers below the average. Scope: Suppliers with orders during the year in an amount equal to or greater than 400,000 euros. November 2018.

In the case of fuel procurement, there were no external complaints during 2018 through authorised channels 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.

Environmental assessment of suppliers

GRI 308 308-1 308-2

Alignment in Procurement and in supplier management with respect to the environment and sustainability:

| Internal Procurement Mechanisms | | External Supplier Mechanisms | |
|---|--|-------------------------------------|--|
| Procurement Policy | Sets out principles on the environment that suppliers must follow and sustainable and responsible management in the Iberdrola group's supply chain | Suppliers' Code of Ethics | Includes environmental principles Must be accepted by the Group's suppliers and is attached to orders and contracts |
| Supplier Registration and Classification | Environmental certification will be weighted in the overall assessment of the supplier | Specific T&Cs | Environmental clauses that suppliers must comply with during the term of the contract |
| Bid Process | The environmental assessment of the supplier is included during the ITEO (offer evaluation) phase and in the PA (proposed award) for purposes of the contract. | Stimulus Campaigns | As a business driver, we proactively promote the environmental certification of the suppliers, supporting them in the search for excellence and generating a multiplier effect |
| Annual Improvement Goals | Innovative aspect: establish annual improvement goals for the Procurement team linking variable remuneration directly to the environmental improvement of suppliers | Carbon Footprint Measurement | Annual supplier greenhouse gas measurement campaign |
| Global Environmental System | The Procurement Division is part of Iberdrola's Global Environmental System Committee: monitoring of environmental guidelines, established goals and related indicators. Audits. | CSR Scoring | Includes environmental aspects CSR evaluation of suppliers, quantifying their relative position based on their management of this area |
| Reporting | <i>Contribution to Sustainability</i> infographic and <i>Annual Procurement and Supplier Management Report</i> published on the corporate website | Supplier of the Year Award | Environmental category: this promotes the environmental responsibility of suppliers and publicly recognises those who stand out in this area |

At the end of 2018, procurement from suppliers with a certified environmental management system represented 68 % of all procurement from suppliers of general supplies. With respect to fuel suppliers, those with an environmental management system represented 90 % of the suppliers evaluated.

100 % of suppliers (both new and existing) of general supplies and significant suppliers of fuel are evaluated according to environmental and sustainability criteria.

The principal environmental risks are considered to be managed through the current management systems and the periodic audits that are performed.

No supplier with a significant negative environmental impact has been detected. Furthermore, Iberdrola does not have major suppliers located in areas with water stress.

Supplier social assessment

GRI 414 414-1 414-2 407-1 408-1 409-1

The contracting terms of the group for procuring equipment, material, works and services, as well as the coal contracts, include specific supplier corporate social responsibility clauses based on the UN *Universal Declaration of Human Rights*, the conventions of the International Labour Organisation, the principles of the Global Compact and compliance with the Iberdrola group's *Code of Ethics*. In the case of other fuels, the company's goal is to include such clauses as new contracts are signed.

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.

100 % of the suppliers of general supplies (both new and existing) and major suppliers of fuel (the majority under long-term contracts that are still in effect) are evaluated following such management approach, and their significant risks for labour practices and human rights in relation to their impacts on society are managed through the quality processes that have been implemented and through regular audits.

25.8 % of general procurement has been made in countries in which there might be a risk of human rights violations, according to the sources consulted. In 2018 the percentage with respect to fuel procurement stayed at the same 51 % as in 2017. In addition, as described in the "Ethics and integrity" section of Chapter II.7 "Good governance, transparency and Stakeholders relations" the company believes that the calculation should exclude purchase of fuel in Mexico and Brazil because they are made in strongly regulated environments that require contracting with state-owned companies. Excluding both countries from the calculation, the percentage of fuel procurement in at-risk countries would decrease to 11 %. The standards used to identify countries at risk are the same as those described in the "Protection of Human Rights" section of Chapter "II.5. Contribution to the well-being of our communities" of this report.

There was no identification in 2018 of any contracting with suppliers that has generated incidents relating to freedom of association, collective bargaining, use of child or forced or compulsory labour, nor is there evidence of receiving complaints on these grounds. Nor have suppliers been detected with a material negative social impact, or incidents reported through the channels established for such purpose, resulting in the cancellation of orders or of contracts with group suppliers due to negative social impacts.

Alignment in Procurement and in supplier management using human rights standards

| Internal Mechanisms | | External Supplier Mechanisms | |
|---|--|--|--|
| Procurement Policy | Promote strict compliance by suppliers with contractual terms and conditions..., with special attention on the principles established in the Policy on Respect for Human Rights | Suppliers' Code of Ethics | LABOUR PRACTICES: ensure the protection of internationally recognised human and workers' rights within their sphere of influence (forced labour, child labour, etc.) |
| Supplier Registration and Classification | Acceptance of Suppliers' Code of Ethics Weighting of status regarding CSR, labour practices and respect for human rights | Specific T&Cs | Specific contract clauses relating to supplier social responsibility based on the UN Universal Declaration of Human Rights, the ILO Conventions and the principles of the Global Compact |
| Sanction List Screening | Blocking and remediation plan if a supplier has been sanctioned or there are indications of human rights violations in their activities | Stimulus Campaigns | As a business driver, suppliers are stimulated in areas of common interest as a vehicle to ensure reliable and responsible conduct throughout the supply chain |
| Annual Improvement Goals | Innovative aspect: annual improvement goals directly relating to supplier CSR improvement established for the Procurement team and linked to variable remuneration | Modern Slavery Act (United Kingdom) | Classification protocols and audit of suppliers in accordance with contractual clauses in major contracts |
| CSR Committee and Plan | The Procurement Division is part of the group's CSR Committee: guidelines, established goals and related indicators | CSR Scoring | Leadership, Dialogue, Management, Communication 4 blocks to evaluate the supplier's CSR performance and Human Rights standards |
| Transparency & Reporting | Procurement indicator in at-risk countries <i>Contribution to sustainability</i> infographic <i>Annual Procurement and Supplier Management Report</i> published on the corporate website | Supplier of the Year Award | CSR, diversity and equality categories: this promotes supplier commitment and improvement in this area and publicly recognises those who stand out |

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 and satisfaction of suppliers

The 6th supplier satisfaction survey was taken at the global level with the participation of suppliers from all geographic areas. It was sent to a representative set of the group's suppliers, 2,812 suppliers, and 1,213 responses were received, yielding the following high level of participation: 43.1%.

| Supplier satisfaction survey | 6th Survey (2018) | 5th Survey (2016) | 4th Survey (2014) | 3rd Survey (2012) | 2nd Survey (2009) | 1st Survey (2007) |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Rating (out of 10) | 8.18 | 8.06 | 8.00 | 7.74 | 7.57 | 7.56 |

Suppliers have very highly valued the ethics and reputation of Iberdrola, the brand and trust that inspires, and state that being a supplier to the group contributes to maintaining job positions.

In the Procurement area, suppliers value very positively the professional respect of their contacts during the bidding phase, as well as transparency in setting terms and conditions, consideration and the treatment provided (attributes with an average of 8.5 points). The attribute with the lowest rating are the financing possibilities offered (with an average of 7.05 points).

Main initiatives with suppliers of materials, equipment, works and services during 2018

Global Supplier of the Year Awards 2018: Contributing together every day

Iberdrola has delivered the Global Supplier of the Year Awards, the purpose of which is to incentivise, promote and recognise the work of the group's suppliers, which is fundamental to achieving the company's strategic objectives.

The event, held at the auditorium of the Iberdrola Campus in San Agustín del Guadalix (Madrid), was attended by approximately 340 guests, including representatives of 167 suppliers of the company from different countries. The award consists of 12 categories and the winning companies came from eight different countries.

More information is available at <https://www.iberdrola.com/suppliers/moving-forward-together>.

"With our suppliers we are addressing the important challenges posed by the UN Sustainable Development Goals. Companies are making a key contribution to the realisation of the new agenda." Ignacio Galán, Chairman of Iberdrola.

A journey through human rights and your business

Human rights are relevant to businesses because they can have an impact on the human rights of all their Stakeholders during the course of their operations. Iberdrola has prepared an online awareness module on human rights, which is accessible to all suppliers.

More information is available at:

<https://www.iberdrola.com/suppliers/contribution-sustainability/human-rights-business>

Supplier diversity

Avangrid has a *Supplier Diversity Program*, which establishes a commitment to include the following within the supplier network and increase procurement therefrom:

- Minority-Owned Business Enterprises (MBE)
- Women-Owned Business Enterprises (WBE)
- Lesbian, Gay, Bisexual and/or Transgender-Owned Business Enterprises (LGBTBE)
- Veteran-Owned Business Enterprises (VBE)
- Service-Disabled Veteran-Owned Business Enterprises (SDVET)
- Small Disadvantaged Businesses (SDB)
- Historically Underutilized Business Zone Enterprises (HUBZone)

There was approximately 58 million euros of contracting volume with these groups in 2018.

During 2018, the contracting volume with Special Employment Centres in Spain (in order to assist and work with persons with disabilities) totalled 2.8 million euros.

Presence and organisation of events and activities related to stimulus in CSR, compliance or increased participation of local companies

- 7th annual UN Forum on Business and Human Rights: with the participation of the Director of Procurement Services, with a presentation focused on managing suppliers with a focus on human rights within the different contexts and countries of operation.
- CSR Europe: *Fair trade and sustainable value chains*.
- Collaborative sessions between Iberdrola and local Spanish entities to discuss how to be a supplier and local opportunities for collaboration.
- Collaboration at mentoring sessions: *"Compliance programmes as a basic element in the value chain"* and participation in the National Compliance Congress.
- SDG Campaign and alliances with suppliers of the Iberdrola group.
- CPO Net Convention "Innovation in the supply".
- CSR workshop for suppliers in Mexico.

Transparency and reporting

Further information on Iberdrola's relations with and management of its suppliers can be found in the [Purchasing and Supplier Management Activities Report](#) and in the [Contribution to Sustainability](#) section of the corporate website.

Challenge 2019

Iberdrola's procurement model has been subject to ongoing review based continuous incremental improvements to adjust it to the needs of the service and the continuing search for efficiencies.

The market points to changes towards advanced management models supported by disruptive technological changes, many of which are already available, and the businesses and corporate areas as internal customers are moving in more competitive, changing, global and efficient environments, which require faster response times, where technology and innovation will be the keys to success.

Now that the *Review of the Group's Procurement Model* project has been completed, the Procurement Division has commenced a project of Digital Transformation of the processes and the adoption of tools allowing preparation for the change towards advanced management models and the new challenges that will appear in the market.

"Procurement as the driver and leader of its own change"

II.7. Good Governance, Transparency and Stakeholder Engagement

- Corporate governance
- Stakeholder engagement
- Ethics and integrity
- Fiscal responsibility
- Competition
- Public policy
- Cybersecurity and information privacy
- Socioeconomic compliance



Main Priorities of the SR Plan

- Sustainable economic growth
- Workplace health & safety and personal development
- Fight against climate change and protecting biodiversity
- Innovation digitalization and quality for our customers
- Contributing to the wellbeing of our communities
- Good governance, transparency and stakeholder engagement ✓
- Promoting CSR in the supply chain

Corporate governance

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



Iberdrola's [Corporate Governance System](#), described in Chapter I.1, is inspired by and based on the commitment to [ethics, transparency and leadership in the application of best international practices on good governance](#). Pay special attention to the social dividend, as a result of which in 2018 there were reforms in its Corporate Governance System in order to deepen the integration of the Sustainable Development Goals into its strategy. This chapter discusses the structure of the board and its committees; its powers and responsibilities; its evaluation and remuneration policies.

An independent and plural Board of Directors

The Board of Directors focuses its activities on the supervision of the general guidelines and the strategy of the group, as well as on the establishment of its corporate policies.

The following keys define the vision of the company's future, its multinational scope and the establishment of channels of participation and relations with shareholders:



- A Board of Directors under constant renewal, adjusting to the needs of the businesses and markets in which the group operates.
- With 14 directors of various nationalities and professional profiles, selected based on a broad set of criteria.
- 71% of the directors are independent. Women represent 36% of the members of the Board of Directors and hold positions of the highest significance: the vice chairmanship of the Board and the chairmanship of 3 consultative committees.

The governance structure is described in the "Corporate and governance structure, ownership and legal form" section of Chapter I.1. For more detailed information regarding the composition, operation and activities carried out by the governance bodies of the company, see also the [Activities Report of the Board of Directors and of the Committees thereof](#) for financial year 2018.

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

- Analysis of the challenges in the energy industry: decarbonisation and electrification.
- Approval of the Strategic Outlook 2018-2022.
- Definition of the digitalization strategy.
- Introduction of new developments in the shareholder remuneration system.
- Integration of the SDGs into the strategy.
- Approval of plan for rotation of non-strategic assets.
- Appointment of a new lead independent director.
- Preparation of the annual accounts and proposed allocation of profits/losses.
- Approval of periodic financial information.
- Approval of budgets and definition of goals of the Iberdrola group.
- Authorisation or acknowledgement, as appropriate, of significant awards, investments and divestments of the Iberdrola group.
- Grant of powers of attorney.
- Setting of the remuneration of the Board of Directors and of the senior management of Iberdrola, S.A.
- Approval of various annual reports.
- Call to the General Shareholders' Meeting, formulation of proposed resolutions and the corresponding reports of the directors.
- On-going update of the Corporate Governance System.
- Evaluation of the Board of Directors.
- Approval of risk limits and indicators.
- Implementation of resolutions adopted by the shareholders at the General Shareholders' Meeting, and particularly increases and reductions in capital.
- Authorisation or acknowledgement, as appropriate, of financial transactions of the Iberdrola group (debt and equity).
- Authorisation or acknowledgement, as appropriate, of proposals for the appointment of directors in companies in which the Iberdrola group has an interest.
- Authorisation or acknowledgement, as appropriate, of corporate or business restructurings.

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The highest-level persons in charge of the various business divisions and corporate divisions have a presence on the Operating Committee referred to in the "Responsibilities" section of Chapter I.3. It is chaired by the chairman & CEO, who in turn reports to the Board of Directors.

Selection and nomination of the members of the highest governance body

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The appointment, re-election and removal 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 [Board of Directors Diversity and Director Candidate Selection Policy](#), which ensures that proposals for the appointment of directors are based on a prior and objective 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 and the personal requirements that the candidates must fulfil. 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.

In particular, they must be irreproachable professionals, whose professional conduct and background is aligned with the principles set forth in the [Code of Ethics](#) and with the corporate values contained in the Purpose and Values of the Iberdrola group.

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.

In addition, the selection of candidates shall endeavour to ensure that a diverse and balanced composition of the Board of Directors as a whole is achieved, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters within its power. To this end, the selection process shall promote a search for candidates with knowledge and experience in the main countries and sectors in which the group does or will do business. The directors must also have sufficient knowledge of the Spanish and English languages to be able to perform their duties.

In turn, the Board has entrusted to the Appointments Committee the responsibility of ensuring that when new vacancies are filled or new directors are appointed, the selection procedures are free from any implied bias entailing any kind of discrimination and, in particular, from any bias that may hinder the selection of female directors. This is expressly provided by the [Regulations of the Board of Directors](#) and the [Regulations of the Appointments Committee](#).

Collective knowledge of highest governance body

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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.

Furthermore, to improve the knowledge of the group and of the businesses that it carries out and the environment in which it operates, presentations are made to the directors regarding the businesses of the group, which is supplemented by articles and publications of interest made available to the directors through the directors' website, a software application that has a specific section dedicated to training.

In turn, the directors' website facilitates the performance of the directors' duties and the exercise of their right to receive information. Information deemed appropriate for the preparation of meetings of the Board of Directors and the committees thereof in accordance with the agenda, as well as the materials, presentations and expositions made to the Board of Directors, is posted on such website.

In addition, a portion of each meeting of the Board of Directors is dedicated to a presentation on financial, legal or socio-political issues of significance to the group.

During financial year 2018, the directors' website was also used to provide the directors with various training sessions deemed to be of interest for the performance of their duties:

- Big Data and Artificial Intelligence in the energy sector: applications and impact
- New EU regulation on prospectuses for public offerings or admission to trading of securities.
- Mechanisms for remote participation in general meetings of shareholders of listed companies. Comparative study at the international level.
- Compliance System: Essential elements for effectiveness.
- European Data Protection Regulation and its application to the Iberdrola group.
- Trends in the social investment market.
- The application of blockchain technology at the general shareholders' meeting.
- New obligations for the publication of non-financial information of capital enterprises.
- Shareholder activism.
- Trends and best practices in risk supervision.

For their part, the consultative committees have developed their own training programmes during the year. They have dealt with various issues, all handled in person:

- Best practices in the renewal of boards of directors.
- Corporate governance trends and issues relating to shareholder participation at the 2018 General Shareholders' Meeting.
- Talent management and retention.
- Latest accounting developments.
- Risk management and board of directors.

Evaluating the highest governance body's performance

102-28

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 & CEO, 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.

The *General Corporate Governance Policy* provides that the annual evaluation shall be conducted with the cooperation of a prestigious independent firm.

Within the framework of the evaluation process of financial year 2018, Iberdrola has decided to draw on the help of PricewaterhouseCoopers Asesores de Negocios, S.L.

This process is based on the review of a large number of objectively quantifiable and measurable indicators that are updated every year in accordance with the latest trends, and 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 on-going improvement plans designed to implement the specific measures that may help to further perfect corporate governance practices.

Identifying and managing economic, environmental and social impacts

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The Board of Directors of Iberdrola is structured as described above, 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 generated by 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.

These appearances are described in the *Activities Report of the Board of Directors and of the Committees thereof* for financial year 2018, available on the corporate website.

The *Sustainable Development Committee* has supervised the company's conduct in the area of sustainability, corporate reputation, corporate governance and compliance. Various external consultants and members of the following areas and divisions of the company appeared before the Committee during 2018:

- Foundations Committee
- Office of the Secretary of the Board of Directors
- Compliance
- Innovation, Sustainability and Quality
- Finance and Resources (Human Resources and General Services; Investor Relations and Corporate Communication; Corporate Social Responsibility and Reputation; Stakeholders; Reputation and Brand)
- Legal Services (Corporate Governance of Subsidiaries)

The issues discussed during these appearances are described in the "Collective knowledge of highest governance body" section above.

Remuneration policies

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The current [Director Remuneration Policy](#) for the years 2018, 2019 and 2020 was approved by the shareholders at the General Shareholders' Meeting held on 13 April 2018.

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 within the overall limit set by the By-Laws and in accordance with law, 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 annual and multi-annual remuneration is linked and for submitting it to the Board of Directors for approval. To such end, in financial year 2018 it drew on the advisory services of PricewaterhouseCoopers Asesores de Negocio, S.L. Section C.1.20 of the [Annual Corporate Governance Report](#) for financial year 2018 describes the business relations of the company with this advisor during the financial year.

Pursuant to the By-Laws and the [Director Remuneration Policy](#), the limit to the amounts that Iberdrola may annually allocate to the directors each year as an expense, 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. As stated, for the purpose of establishing such limit, the quoted price of shares or options thereon or remuneration indexed to the listing price of the shares shall not be calculated, which remuneration shall in all cases require the separate approval of the shareholders at a General Shareholders' Meeting.

The [Director Remuneration 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 the standard remuneration of comparable companies. The reference parameters are contained in the current Director Remuneration Policy and cover economic/financial, operational and sustainability aspects. Each Annual Remuneration Report specifies the objectives to which the annual variable remuneration of executive directors is tied. The 2017-2019 Strategic Bonus approved by the shareholders at the General Shareholders' Meeting describes the multi-annual remuneration system relating to the achievement of long-term objectives, including the reduction of CO₂ emissions.

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.

Stakeholder engagement in remuneration

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The *Director Remuneration Report* for financial year 2017 was submitted to a consultative vote of the shareholders at the General Shareholders' Meeting held on 13 April 2018, which had a quorum of 76.09 %, and was approved with only 5.83 % of the shares represented in person and by proxy voting against.

The *Annual Director Remuneration Report* for financial year 2018 will be submitted to a consultative vote of the shareholders at the General Shareholders' Meeting called to be held on 29 March 2019.

Annual total compensation ratio and annual total compensation percentage increase ratio

102-38 102-39

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 the "Corporate and governance structure, ownership and legal form" section of Chapter I.1 and described on the company's website.

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

| Country ¹⁰² | Highest level of remuneration | Annual total compensation ratio ¹⁰³ (102-38) | | | Annual total compensation percentage increase ratio ¹⁰³ (102-39) | | |
|------------------------|-------------------------------|---|-------|-------|---|-------|-------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | Director | 20.42 | 21.08 | 30.30 | -0.41 | -1.15 | 6.78 |
| United Kingdom | CEO | 12.59 | 12.09 | 11.83 | 1.28 | 1.60 | 3.31 |
| United States | CEO | 23.67 | 22.22 | 16.66 | 0.89 | 4.54 | N/A |
| Brazil | Director | 21.54 | 22.43 | 41.00 | 0.53 | N/A | 0.16 |
| Mexico | Director | 6.32 | 7.63 | 7.21 | 0.19 | 1.48 | -0.73 |

Shareholder engagement

Iberdrola is a pioneer in defining one of the fundamental pillars of its corporate governance strategy to be the engagement of its shareholders, with the [General Shareholders' Meeting](#) being their main channel for participation in corporate life.

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

The Board of Directors also actively promotes the informed participation of the shareholders at the General Meeting, facilitating access to all [documentation of the General Shareholders' Meeting](#) through the website, including a [Shareholder's Guide](#) that describes all of the facilities that the company offers to attend, grant a proxy or cast an absentee vote; and for each Meeting it approves certain *Implementing Rules for the General Shareholders' Meeting*, which have incorporated the latest technological advances in electronic participation, always in accordance with the guarantees required by law and by

102 Country composition:
Spain: Iberdrola, S.A.; Iberdrola Spain.
United Kingdom: ScottishPower.
United States: Avangrid.
Brazil: Neoenergia.
Mexico: Iberdrola Mexico.

103 Annual total compensation includes fixed salary, cash salary supplements and variable remuneration. Does not include long-term incentives or benefits.

the Corporate Governance System. Along these lines, Iberdrola has developed a new application that will allow shareholders to grant their proxy and cast an absentee vote from any device with access to the internet (including mobile phones and tablets), verifying their status as shareholders in real time. Also, for the first time, individual shareholders will be able to grant their proxy or cast an absentee vote by telephone through the free phone number of the Office of the Shareholder, through which they may also request any information about the event. These electronic and telephonic channels are in addition to the traditional forms of participation, in person, by post or through the shareholder service desks, which Iberdrola will continue to offer to its shareholders in order for them to have all of the alternatives for participating in the General Meeting.

Other proactive actions are also carried out to foster the maximum possible participation of the shareholders, such as telephone information campaigns. Also to promote accessibility, the understanding of information, and ultimately the engagement of the shareholders, the company has implemented several specific channels of communication for providing information to shareholders and investors, including the following:

- a) Office of the Shareholder (*Oficina del Accionista*). From the call to the General Shareholders' Meeting through the end thereof, the shareholders can rely on the support of the Office of the Shareholder, 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 Office of the Shareholder is in permanent contact with those shareholders who have voluntarily entered their names in its database, and provides a specific service to minority shareholders 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](#). The website has an interactive system that allows shareholders (who can access the system with their user name and password) to ask questions of interest either publicly or confidentially, access frequently asked questions regarding various topics, 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 view the live proceedings.
- e) 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.
- f) Last, the Corporate Governance System makes provision for the ability of the Board of Directors or its chairman & CEO to empower the lead independent director or other directors to engage in dialogue with specific shareholders on certain issues relating to the corporate governance of the company.

In this section, it is noteworthy that in 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.



- First Spanish company and one of the pioneers worldwide in formalising a *Shareholder Engagement Policy*, which is one of the main pillars in the corporate governance strategy.
- Constructive, continuous, effective and transparent dialogue with the shareholders, encouraging their engagement and promoting their active participation through various channels like the interactive *On Line Shareholders* (OLA) system and the *Shareholders' Club*, among others.



Iberdrola's General Shareholders' Meeting, a sustainable event

Notably, in 2016 Iberdrola was the first Ibex-35 company to certify its General Shareholders' Meeting as a *sustainable event*, in accordance with international ISO 20121 standard. This means that all the processes of the General Shareholders' Meeting (from its planning to its subsequent holding) follow criteria of sustainability, inclusivity and accessibility, with the ultimate goal of optimising Iberdrola's contribution to the local economy, to improving the environment and to its social commitments. Improvements were proposed for the 2018 General Shareholders' Meeting and more than 70 initiatives are launched to promote the sustainability of the event, including:

- Hiring of local suppliers.
- Hiring of persons in vulnerable situations.
- Measures aimed at improving energy efficiency.
- Advancement of sustainable transport.
- Actions to guarantee accessibility for groups with different abilities.
- Use of recyclable and reusable materials.
- Collaboration with certain local NGOs.
- Childcare service as a measure to promote work-life balance.

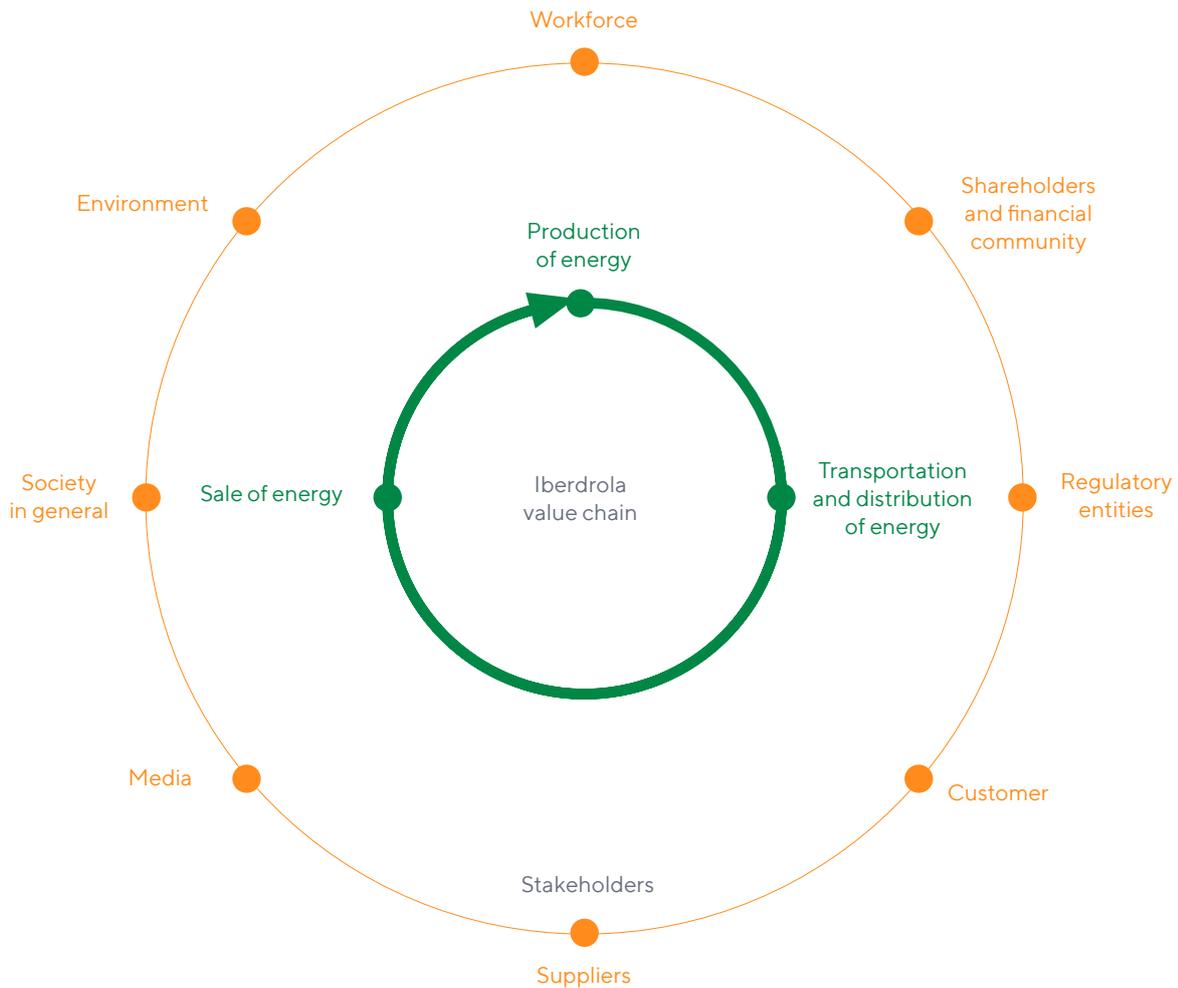
It should be noted that Iberdrola has received the "Erronka Garbia" environmental certificate in acknowledgement of best environmental practices in the organisation of its Shareholders' Meeting.



Stakeholder engagement

Iberdrola's *Stakeholder Relations Policy* (approved by the Board of Directors in February 2015 and updated in October 2018) explicitly states that the company believes "that its relations with those groups that may influence or that are affected by the decisions or the value of the Company and the group are significant". The value chain comprised of Iberdrola's businesses means that there is a large number of these groups, for which reason the company has decided to group them into eight different categories that constitute its Stakeholders:

102-40



The initial identification and selection of the Stakeholders of Iberdrola was carried out through processes of internal reflection conducted by the management team. Subsequently, in 2015, the *Stakeholder Relations Policy* ratified the Stakeholder categories described in the preceding section.

102-42

However, for the proper management of each of the Stakeholders, the various areas and businesses identify different Subgroups that they deem relevant for more specific treatment.

Approach to Stakeholder engagement

102-43

Iberdrola develops a responsible and sustainable business model, which puts Stakeholders at the centre of its strategy. The company’s objective is thus to build relations of confidence with the various Stakeholders, as well as to deepen their participation, engagement and sense of belonging to Iberdrola.

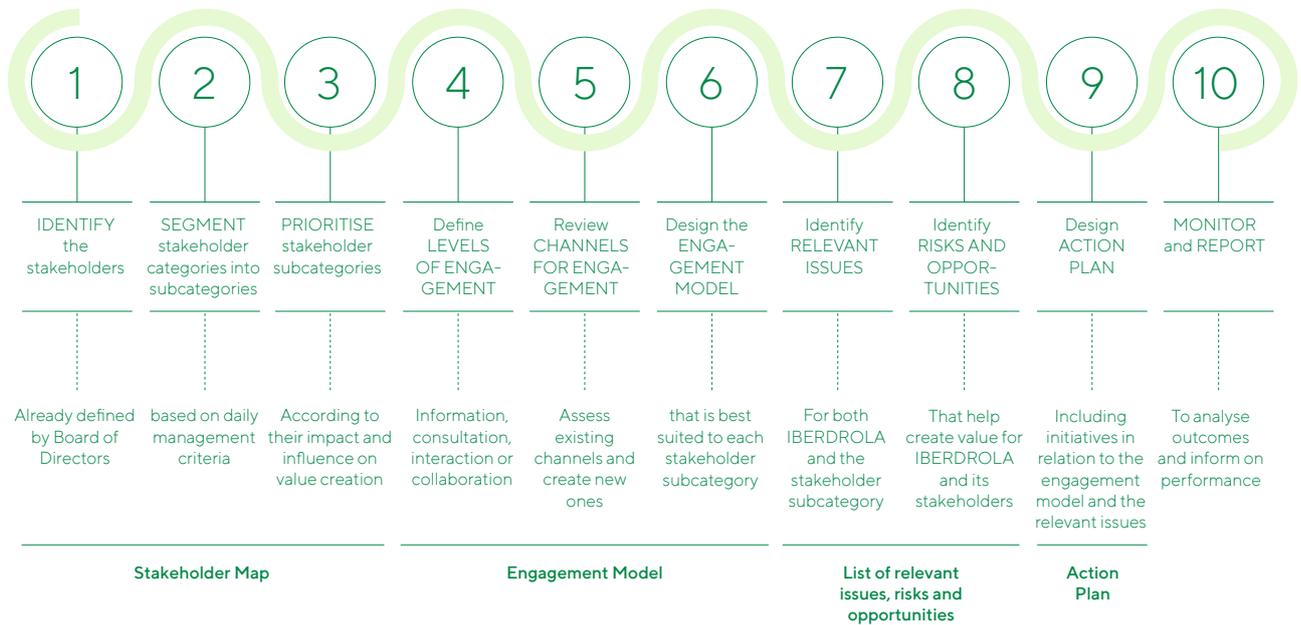
The By-Laws themselves include a specific article dedicated to Stakeholder relations, establishing the principles and objectives that govern these relations:



Iberdrola has decisively driven compliance with its Stakeholder Relations Policy (mentioned above), through a Global Stakeholder Relations Model based on the AA1000 Stakeholder Engagement Standard (AA1000SES) 2015 standard and in its three requirements of inclusiveness, materiality and responsiveness¹⁰⁴.

104 Iberdrola has been continuously applying Assurance Standard AA1000 for the last twelve years. In 2016 Iberdrola’s Operating Committee approved a new Global Stakeholder Relations Model (referred to in this report), the second phase of which was implemented in 2018.

Among other objectives, this Model seeks to systematise Stakeholder relations throughout the Iberdrola group, in all countries and businesses; and to create a corporate culture with respect to the significance of dialogue with the Stakeholders for more sustainable performance by the company. It constitutes a process of continuous improvement in and of itself, as shown below:



This process was implemented in 2018 to manage eight of Iberdrola’s Stakeholders in the five main countries and at most of the Generation and Renewables facilities, as well as in the various geographic areas of the Networks Business.

Relationship channels and significant issues

102-44

Iberdrola keeps the relationship channels¹⁰⁵ with its eight Stakeholder groups updated and makes continuous efforts to identify the issues that are most important to each of them. An analysis of these issues shows that, while there are issues exclusive to each geographical area, most are common to Iberdrola’s five main countries¹⁰⁶.

105 The By-Laws state that “the Company’s corporate website, its presence on social media and its digital communication strategy generally are channels of communication serving the Stakeholder Relations Policy”.

106 Pursuant to its *Global Stakeholder Relations Model*, Iberdrola has a list of major topics by Stakeholder group and country, which are included in the *Management Report on Iberdrola’s Relations with Stakeholders* for financial year 2018.

Set out below is a summary of the most important Stakeholder relationship channels and the main global issues detected in 2018:

| Workforce | Shareholders and financial community |
|---|--|
| Relationship channels <ul style="list-style-type: none"> • Telephone, mail, web (intranet), meetings • Events, surveys, bulletins, newsletter, information screens, posters • Commissions, committees • Ethics mailbox | Relationship channels <ul style="list-style-type: none"> • Telephone, mail, shareholders website, meetings • General Shareholders' Meeting, Shareholders' Club, Shareholders' Bulletin • Road shows, Investor Day, Investor Relations App, Corporate reports • Shareholders' Ethics Mailbox |
| Significant issues <ul style="list-style-type: none"> • Management and retention of talent (career plan, training, quality and maintenance of employment) • Occupational risk prevention and health and safety training • Employee benefits and pension plans | Significant issues <ul style="list-style-type: none"> • Economic, social and environmental performance of the company and future plans • Political situation in the markets in which Iberdrola is present • Share price and dividends |
| Distribution customers | Retail customers |
| Relationship channels <ul style="list-style-type: none"> • Telephone, mail, customer website, meetings • Satisfaction surveys, claims systems, awareness-raising campaigns • Social media, mobile (apps, chat, etc.) | Relationship channels <ul style="list-style-type: none"> • Telephone, mail, customer website, meetings • Satisfaction surveys, claims systems, customer service shops, sales force • Social media, mobile (apps, chat, etc.) |
| Significant issues <ul style="list-style-type: none"> • Communication during supply incidents • Complaint management • Service quality | Significant issues <ul style="list-style-type: none"> • Overall customer experience: channels, service, product offerings and complaints • Optimisation of power and consumption and impact on billing • Service quality |
| Regulatory entities | Suppliers |
| Relationship channels <ul style="list-style-type: none"> • Telephone, mail, letters, corporate website, meetings • Workshops, events, debates • Queries, procedures, information capsules | Relationship channels <ul style="list-style-type: none"> • Telephone, mail, supplier website, meetings • Register and classification of suppliers, Supplier of the Year Award, satisfaction survey, stimulus campaigns • Suppliers' ethics mailboxes |
| Significant issues <ul style="list-style-type: none"> • Energy transition (energy efficiency, alternative energies, emissions reduction, etc.) • Present and future regulatory framework of the electricity sector • Remuneration to the businesses | Significant issues <ul style="list-style-type: none"> • Iberdrola's role in the supply chain (ethics and CSR, stimulus campaigns, fostering of innovation) • Regulatory measures in each country • Commercial relations with suppliers (communication of strategy, award standards, contracting terms, payments and billing) |

| Media | Society in general |
|--|--|
| Relationship channels <ul style="list-style-type: none"> • Telephone, mail, corporate website, meetings • Press releases, events, visits to facilities • Social media | Relationship channels <ul style="list-style-type: none"> • Telephone, mail, corporate website, meetings • Partnership agreements, reports, events, working groups, visits to projects • Social media |
| Significant issues <ul style="list-style-type: none"> • Financial results and company strategy • Operational and corporate governance performance and social impact of the activity • Present and future industry regulation | Significant issues <ul style="list-style-type: none"> • Iberdrola engagement in the development of the communities in which it is present (investment, innovation, collaboration programmes and projects) • Relationship and contribution of the company in institutions and other representatives of society • Awareness-raising, disclosure and training on specific industry issues and other issues of social interest |
| Environment | |
| Relationship channels <ul style="list-style-type: none"> • Telephone, mail, corporate website, meetings • Reports, sustainability surveys, inspections, audits • Alliances, collaborations, events, conferences, roadshows | Significant issues <ul style="list-style-type: none"> • Environmental performance of the company and its facilities (environmental investments, biodiversity, environmental footprint, circular economy and water management) • Climate change and energy transition • Report and transparency of non-financial information (sustainability indices) |

Iberdrola’s Wholesale, Networks and Renewables facilities mainly manage three Stakeholder groups: Regulatory entities, Society and Environmental¹⁰⁷. The most significant issues of interest refer to regulatory compliance; the economic and social impact of the facilities on local communities; and environmental impacts and the mitigation thereof.

Iberdrola’s response to all of these significant issues is set out not only in the various indicators of this *Sustainability Report*, but also in the *Integrated Report* and in the various specific reports, including: *Annual Financial Report*; *Annual Corporate Governance Report*; *Shareholder Engagement Report*; *Report on Procurement Activities and Supplier Management and the Contribution thereof to the Group’s Sustainability*; *Innovation Report*; *Corporate Footprint Report*; *Biodiversity Report*; and Sustainability Balance Sheet. Likewise, the [corporate website](#) and the websites of the businesses and the foundations contain information in this regard.

The methodology described in the preceding sections 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 the “Defining report content” section.

Considering all of the foregoing, Iberdrola has a complete Stakeholder management system, subject to a process of continuous improvement, which allows it to increasingly engage all of the groups with which it relates and to encourage their participation in all of the company’s decisions¹⁰⁸.

107 In the case of the cogeneration plants, the main Stakeholder group is ‘Customers’, for whom the most significant issue is compliance with contracts.

108 Iberdrola prepares an annual *Management Report on Iberdrola’s Stakeholder Relations*, which summarises issues of interest detected within the various communication channels, as well as the company’s response through action plans.

Ethics and integrity

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



GRI 205 102-17

The Iberdrola group's compliance system

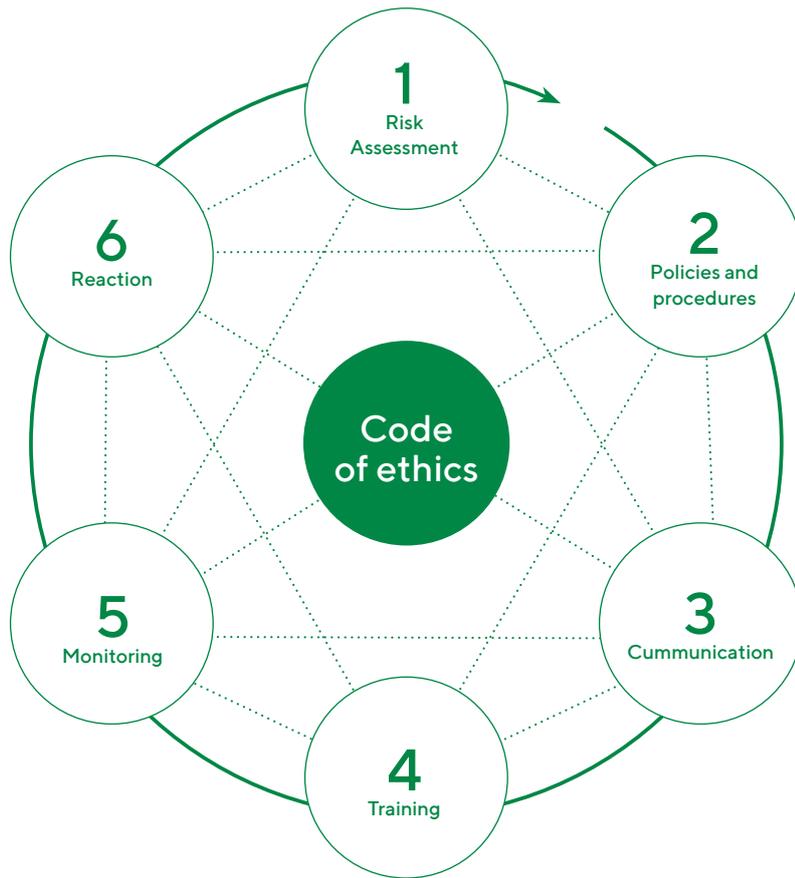
Pursuant to the *General Compliance System Framework of the Iberdrola group* approved by the Iberdrola group's Compliance Unit (the "Unit"), the foundations for the operation of its compliance system have been established following best domestic and international practices in the area of compliance, fraud prevention and the fight against corruption.

The group's compliance system is thus defined as a set of substantive rules, formal procedures and material actions intended to prevent, avoid and mitigate the risk of conduct that is improper or contrary to ethics or the law that may be committed by professionals of Iberdrola within the organisation, and to ensure that the conduct is in accordance with ethical principles and applicable law (the "Compliance System"). The bodies and divisions directly entrusted with the implementation and further development thereof also form part of this Compliance System.

Iberdrola has created a Compliance Unit, a collective, internal and permanent body linked to the Sustainable Development Committee of the Board of Directors. There is also a compliance division linked to the Audit and Compliance Committees at each subholding company and/or head of business company. The duties of all of them include promoting a culture of ethical behaviour and zero tolerance for fraud and the commission of unlawful acts and management of the Compliance System.

The Compliance Unit has powers related to the *Code of Ethics*, the *Anti-Corruption and Anti-Fraud Policy*, the *Crime Prevention Policy*, the *Internal Regulations for Conduct in the Securities Markets*, legal provisions regarding the separation of activities, and all other powers that may be entrusted thereto by the Sustainable Development Committee or the Board of Directors of the company or that are established in Iberdrola's Corporate Governance System.

Within this context, the *Code of Ethics* is the "cornerstone" on which the Compliance System is based and permanently functions as an element "inspiring" the other elements thereof, which are shown in the following chart:



These elements include:

- 1) the regular evaluation of risks;
- 2) the development and maintenance of policies, procedures and action protocols for the professionals of the group describing the expected, appropriate and suitable behaviour;
- 3) communications activities;
- 4) the training of employees on compliance-related issues;
- 5) the continuous monitoring and review of the Compliance System through internal and external audits and control and detection mechanisms like the ethics mailboxes; and
- 6) the launch of plans to respond and react to conduct or situations that are improper or contrary to applicable legal provisions or failures in the Compliance System.

1. Evaluation of compliance risks

205-1

One of the main elements of the Compliance System is the regular and continuous identification and evaluation of compliance-related risks in each of the corporate areas and functions and in the businesses of the group. The purpose of this evaluation is to be able to establish the measures required to neutralise or mitigate them based on the probability thereof and the seriousness of the consequences thereof. Various areas in which this risk evaluation occurs are described below.

Crime prevention programmes

Within the framework of the Compliance System, various activities are carried out to encourage the organisation to act in accordance with the most stringent ethical standards and in accordance with applicable laws and regulations. In order to develop the *Crime Prevention Policy*, the companies of the group have implemented a specific and effective programme, the *Crime Prevention Programme*, 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 most recent changes to the Spanish Criminal Code following the introduction of criminal liability for legal entities, without prejudice to the legal provisions applicable in any other jurisdiction in which the company does business.

To implement these *Crime Prevention Programmes*, there is a regular evaluation of the risks of committing criminal acts that might ultimately be alleged against the various companies of the group based on their activities, as well as an identification of existing controls and the establishment of new controls for the prevention thereof.

The criminal risk evaluation process follows the methodology described below:

- Meetings are held with the heads of the various areas (corporate and business) of each company in order to analyse the specific activities they perform within their area of responsibility.
- Based on the activities performed by each area, conduct that might entail the risk of committing a crime is identified.
- The risks identified are classified based on the probability of occurrence thereof and are included in a criminal risk map that reflects the divisions, departments or areas of activity within each company where there is a risk of the commission of each crime.
- For each of the crimes, there is an identification of the controls applicable to the various areas that allow for the limitation, prevention and mitigation of each of the criminal risks identified; and in those cases in which an insufficiency is observed, the specific measure necessary to strengthen prevention is adopted, e.g. implementing additional controls or modifying existing ones.
- A control map is thus developed assigning each of the controls to the crime or crimes it is intended to avoid, and identifies a person responsible for each control, who must ensure the proper operation thereof with a predetermined frequency. The person responsible for each control has the powers, experience, training and authority level appropriate for supervision of the effectiveness thereof.
- The persons responsible for the controls issue annual certifications regarding the appropriate operation thereof.

Fraud and corruption in particular

In financial year 2018 there was an update of the analysis of the risks of fraud and corruption within the Iberdrola group based on a self-evaluation of the exposure to this risk, with the participation of professionals in charge of all areas and relevant processes at each of the country subholding and/or head of business companies of the group. Specifically, the scope of the analysis was the following:

- 100 % of the country subholding companies making up the group: Avangrid INC¹⁰⁹, Iberdrola España, S.A.U., Iberdrola México, S.A. de C.V., Iberdrola Participaciones, S.A.U., Neoenergia, S.A.¹¹⁰ and Scottish Power LTD as well as the principal business thereof: i) Networks Business, ii) Wholesale and Retail Business, and iii) Renewables Business.
- As regards the corporate divisions, those areas or divisions considered to be of higher potential risk in this area have been analysed. Specifically, the following have participated: Procurement, Human Resources and General Services, Financing and Treasury, Corporate Development, Administration and Control, Investor Relations and Communication, Innovation, Sustainability and Quality, Internal Audit and International Relations.

To perform this evaluation, guidelines and a methodology are provided that allow the compliance directors and the heads of the businesses and corporate functions to identify and evaluate the risks of fraud and corruption within the group. Based on an analysis of the information received, each Compliance Division prepares the risk map for its respective company, identifying the main controls to mitigate them, and proposes improvements or modifications to strengthen the effectiveness of such controls, if appropriate.

This analysis 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 with higher

¹⁰⁹ Avangrid formed part of the process through a specific ethics survey.

¹¹⁰ Neoenergia formed part of the process through a specific analysis of this company.

risk or in which a potential for improvement has been identified. Accordingly, the assessment constitutes a tool upon which various actions are based and which are included within the other elements of the Compliance System.

Risks associated with suppliers

Suppliers are considered strategic players within the Iberdrola group and the Procurement function has implemented policies and mechanisms to ensure the transparent, comprehensive and responsible management of its supply chain and to mitigate risks.

- Procurement policy and procedure: global framework for the control and management of risks and opportunities arising from procurement.
- *Code of Ethics*: principles of conduct that bind the group in its relations with third parties and that contain specific principles of conduct for suppliers that match the principles and values of the group. Attached to orders and contracts.
- Procurement terms and conditions. Contract clauses:
 - Require the parties to act within the most stringent levels of safety, occupational risk prevention and environmental protection.
 - They include specific clauses on supplier corporate social responsibility and respect for human rights.
 - They include the rejection of any fraudulent practice or corruption.

The procurement process ensures that counterparty risks are evaluated in decision-making during the tender and award process.

Evaluation of supplier risks, set out in the [Procurement Policy](#)

| Procurement policy | |
|---------------------|---|
| Credit risk | <i>"In significant Procurements or tenders, a Supplier credit risk assessment shall be required in order to ask for sufficient contractual guarantees to ensure obligations are met".</i> |
| Fraud risk | <i>"Depending on the nature and amount of the object of the tender, a Supplier fraud risk assessment must be carried out, the result of which shall determine the level of approval required to start the relationship".</i> |
| Cybersecurity risks | <i>"Processes shall be included to identify and establish cybersecurity requirements that would mitigate the risks associated with access by Suppliers and their potential subcontractors to information or to IT systems and services and communications of the group".</i> |
| CSR risks | <i>"[...] priority will be given to those Suppliers that have advanced management systems, certified by a third party and, in particular: (i) Environmental Management System; (ii) Quality Management System; (iii) Occupational Risk Prevention System; (iv) Corporate Social Responsibility Action Plan; and (v) Internal Code of Ethics.</i> |
| Party risk | <i>"[...] Suppliers shall be requested to state in their bid the work they propose to subcontract, as well as the names of potential subcontractors, for purposes of analysis in the context of evaluating the bid".</i> |
| Tax risk | <i>"No contract may be entered into with a supplier that is not current in the payment of its tax obligations, tax-related obligations or any other kind of obligations as a result of which the group might incur any secondary liability".</i> |

Review of the provision of general supplies in countries presenting a risk of corruption

To analyse supplies in countries with a risk of corruption, the company uses the *Transparency International Corruption Perceptions Index 2018 (TI CPI 2018)* as a source to classify countries by their risk level.

Procurement volumes classified by corruption risk levels are set out in the following table:

| Corruption risk ¹¹¹ | % of 2018 general supply purchases in countries on the CPI Index 2018 |
|--------------------------------|---|
| Low | 51.8 |
| Medium | 21 |
| High | 27.2 |

According to the TI CPI 2018, countries with a high risk of corruption in which purchases were made from suppliers registered are mainly Brazil and Mexico. This volume of procurement is directly related to Iberdrola's investment effort in these countries, where 33 % of the group's total investments were made in 2018.

Iberdrola has not made any significant purchase of general supplies from suppliers located in tax havens.

Review of fuel supplies in countries presenting a risk of corruption

An analysis of the purchases of fuel shows the following ratios in 2018:

| Corruption risk ¹¹¹ | % of 2018 general supply purchases in countries on the CPI Index 2018 |
|--------------------------------|---|
| Low | 49 |
| Medium | 0 |
| High | 51 |

According to the TI CPI 2018, the countries with a high risk of corruption in which purchases were made from suppliers registered there are mainly Mexico and Brazil. However, the company believes that the calculation should exclude purchase of fuel in these two countries because they are made in strongly regulated environments that require contracting with state-owned companies. Excluding both countries from the calculation, the high-risk percentage would decrease to 11 %.

Money laundering

Although Iberdrola, S.A., Iberdrola España, S.A.U and their head of business companies are not subject to *Law 10/2010 on the prevention of money laundering and terrorist financing* (the "Money Laundering Act"), this risk is contemplated as part of the *Crime Prevention Programme* of such companies, given the breadth of the definition of the crime and taking into account that this type of crime can be committed by careless action. The general controls related to these crimes include i) the Code of Ethics itself, ii) the *Procurement Policy*, iii) the *Protocol for Social Contributions, Donations and Sponsorships*, and iv) the *Protocol for Management the Risk of Third-Party Fraud and Corruption*. These companies also have a number of specific controls for these types of crimes that have also been identified in the aforementioned Programme.

However, due to the nature of its activities, Iberdrola Inmobiliaria, S.A.U. is subject to the Money Laundering Act, for which reason this company, in addition to having the preventive controls mentioned above, has specific additional controls mainly intended to prevent these types of crimes. By way of example, the company has rules like the *Procedure for Action to Prevent Money-Laundering and Terrorist Financing and Contract Approval Countersigning*.

¹¹¹ Low risk: country index ≥ 60 / Medium 59-50 / High risk: < 50 on a scale of 0 (perception of high corruption levels) to 100 (perception of low corruption levels).

2. Policies and protocols

Once the risks are identified and duly evaluated, the company must approve the required internal rules (policies, protocols or procedures) to which decisions and activities will be subject in order to prevent and mitigate said risks.

Along these lines, the Iberdrola group has approved (as an integral part of its Corporate Governance System) a number of general internal policies and rules in the compliance area mainly intended to serve as a guide for the conduct of its professionals in a global, complex and changing environment. This general rulemaking includes the *Code of Ethics*, the *Crime Prevention Policy* and the *Anti-Corruption and Anti-Fraud Policy*, which have been approved by Iberdrola, S.A.'s Board of Directors and are called upon to further develop the *Purpose and values of the Iberdrola group*.

Apart from the higher-level rules mentioned above, the Unit in the exercise of its powers approves procedures and protocols in the Compliance area required for the further development thereof (some of which have already been mentioned). These lower-level rules attempt to regulate and mitigate certain specific identified risks and must in any case be consistent with the provisions of the Corporate Governance System.

In particular, in the area of the fight against corruption, specific rules have been developed pursuant to which there is an analysis and evaluation of the risk of fraud and corruption of the third parties with which Iberdrola is related. In this context, they include:

- 1) **Third parties generally.** During financial year 2018, the Unit approved the *Protocol for Management the Risk of Third-Party Fraud and Corruption*. This protocol is configured as a rule specifically intended to prevent the risks of fraud and corruption arising from the relationship of the companies of the group with any third party related thereto. It establishes a number of procedures and analyses related to the process of selection and contracting thereof.
The scope of application of this protocol excludes the third-party types referred to below.
- 2) **Government administrations and public officials.** Iberdrola has also approved a *Protocol for Conduct in Professional Relations with Governments, Political Parties, Authorities and Public Officials*, applicable to the entire group, governing employee relationships with government administrations, authorities, public officials and other persons who participate in the exercise of public office, as well as political parties, federations, coalitions or electoral groups. Apart from establishing certain principles of conduct to be observed by all of the professionals, this protocol establishes certain requirements to report to the corresponding Compliance Division prior to the formalisation of any contract, agreement or pact with public officials or government administrations.
- 3) **Corporate transactions.** The company has approved a *Corporate Transactions Protocol* in order to establish the steps to take regarding risks associated with compliance in the case of mergers and acquisitions, joint ventures and other types of corporate transactions contemplated in the area of application thereof. This protocol establishes the obligation to engage in a compliance review and analysis for any corporate transaction that is going to be formalised. Likewise, the Compliance function also engages in a prior analysis of investment and divestment projects from the standpoint of fraud and corruption risk.
- 4) **Donations, sponsorships and social welfare activities.** The company has also approved a *Protocol for Social Contributions, Donations and Sponsorships*, the object of which is to evaluate any compliance risks associated therewith and the terms and conditions for such transactions, as well as the beneficiaries thereof.

This internal rule, which is regularly reviewed by the Unit and the compliance divisions to the actual activities of a dynamic organisation, as well as to a changing environment, is disseminated and made available to all employees.

3. Communication

The Unit and the compliance divisions establish an internal and external communication plan in relation to the Compliance System each year. Communication actions are established based on an evaluation of risks, strategic priorities, defined objectives and identified ethics and compliance requirements.

The Communication Divisions, working with the Unit and/or the various compliance divisions, as applicable, are responsible for implementing and monitoring the communication plans.

The various available tools and channels have been used for the communication activities selecting those that are most effective based on the particularities of each case. The support, cooperation and advice of the company's Communication Division was available for this purpose at all times. To summarize, the main communication activities performed at the group by the various compliance divisions are the following:

- **Email campaign:** The Unit and the various compliance divisions prepare and send emails in relation to the various issues relating to the *Code of Ethics*, compliance rules and the Compliance System generally. During financial year 2018, there were communications relating to i) changes made in the latest update of the *Code of Ethics*, ii) the launch of anonymous ethics mailboxes for the Spanish companies, encouraging the use thereof, and iii) the launch of the ethics survey of the Iberdrola group.
- **Employee portals.** The new version of the employee portal of the Iberdrola group has updated and revised the information relating to compliance and ethics appearing therein. In particular, the employee portals of the Iberdrola group in Spain have been updated to include, among other things, the current versions of all compliance regulations, as well as the *Crime Prevention Programmes* of each company.

The employee portal also makes available to the employees i) an interview with the group's Compliance Director to emphasize the importance of using the group's ethics mailboxes, and ii) specific information regarding the 2018 ethical culture survey.

- **Publications in external media.** Apart from the information published on the group's corporate website www.iberdrola.com, for purposes of Iberdrola's inclusion for the fifth consecutive year in the list of the "*World's Most Ethical Companies*" published each year by the Ethisphere Institute, there have been publications in this regard in various media, thus contributing to the dissemination of the group's commitment to ethics, honesty and integrity in all of its activities.

There has also been publication in various external media of the acquisition by Iberdrola of the "*Compliance Leader Verification*" certification provided by the Ethisphere Institute to those companies that not only comply with applicable legal provisions but go beyond them and demonstrate the existence of an internal culture that promotes ethical values in all of their businesses and activities. The "*Companies with best compliance practices*" 2018-2019 award given by Expansión to Iberdrola was also recently published.

- **Events and seminars.** The compliance directors have participated in various ethics and compliance events and seminars, including *Compliance Officer Day* organised by the Spanish Compliance Association (ASCOM), the domestic and international compliance conference organised by Thompson Reuters, and the compliance sessions organised by the National Markets and Competition Commission.
- **Support programmes.** In collaboration with ASCOM, Iberdrola has developed a programme for compliance systems intended to help small- and medium-sized businesses (SMEs) and public bodies in the implementation of these systems. The initiative was addressed to almost 40 entities in Navarre, the Basque Country and Valencia. Iberdrola promotes this programme to disseminate a culture of compliance among the third parties with which it relates in order to achieve both a higher level of ethical commitment from all organisations and improvement in the competitiveness thereof, highlighting the competitive advantage that compliance systems offer to those who implement them.

4. Training on anti-corruption policies and procedures

205-2

The Unit and the various compliance divisions establish specific annual ethics and compliance training plans, which are defined taking into account (i) the areas in which a higher level of risk in this area has been identified, (ii) changes in applicable rules, and (iii) changes in internal rules. The Human Resources Division is available to assist with the implementation of these specific annual plans.

The initiatives carried out during the year include:

Training for governance bodies

- As part of the training programme for the directors of Iberdrola, S.A., there was a training initiative in 2018 directed to the Board of Directors regarding the Iberdrola group's Compliance System and the structure, bodies and tasks thereof.

The Compliance Unit also regularly reports to the Sustainable Development Committee on the most significant compliance issues for the period, having appeared before this body a total of three times in 2018. The aspects reported on include the report on annual reports, update of the internal compliance rules and the *Crime Prevention Programmes*, the implementation of anonymous ethics mailboxes at the Spanish companies, the results of the survey on ethical culture, the annual activities plans, resources and budgets.

Training for employees of the group

- 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* and the other rules and regulations in this area applicable to all group professionals. Such programmes foster knowledge of the action standards required at the group and promote ethical values and the principle of "zero tolerance" towards the commission of unlawful acts and situations of corruption and fraud. Various initiatives have been developed, including:
 - On-site training and awareness-raising sessions on the Code of Ethics and anti-corruption provisions for members of the company's management team in Spain. During 2018 more than 145 employees belonging to this group have received on-site training within this programme through the various meetings held in Madrid and Bilbao.
 - During the month of September there was a global training programme in collaboration with the law firm Baker & McKenzie regarding international anti-corruption risks and regulation for those employees who might be affected by these types of risks due to the nature of the duties they perform. This training was made up of an onsite session in Madrid which was broadcast globally and attended by more than 430 professionals.
 - Specific training regarding the *Internal Regulations for Conduct in the Securities Markets*. The Compliance Unit, together with the law firm Uría Menéndez, held onsite training sessions in Bilbao and Madrid, the principal purpose of which was to review and comment on the main aspects of the regulation, as well as the obligations it imposes on the persons affected and on treasury share managers. 48 professionals attend these meetings.
 - Specific local anti-corruption training:
 - In the United Kingdom, there is specific training in this area directed to employees in various areas with potential risk. More than 70 employees have received this training.
 - The *Code of Ethics* training in the United States includes a short training session on anti-corruption. This online course was taken by 6,386 professionals in 2018.
 - There have been onsite training sessions in Mexico regarding key aspects of ethics and compliance. This initiative was developed through 32 sessions attended by 654 employees.
 - There have also been on-line and in-person training courses in Brazil regarding the *Code of Ethics*, fraud and corruption, attended by 8,759 professionals.

5. Monitoring

The main activities performed by the group within the Compliance System are monitored quarterly by the Compliance Unit through the report in which the Compliance Divisions of each country subholding and/or head of business company report on changes in a number of indicators regarding the principal elements making up the compliance programs of the respective companies.

Grievance mailboxes of the group

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 mailboxes, which constitute 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* or other internal rules or procedures. All professionals who have reasonable indications of the commission of an event of this kind must report it through the aforementioned mailboxes. In addition to potential grievances, queries may also be made through these channels on matters relating to the interpretation of and compliance with the *Code of Ethics* and the other internal rules in this area.

All communications received are deemed confidential information, and may be anonymous in those jurisdictions in which the law so allows. In any event, there is an express commitment of the group, reflected in the *Code of Ethics*, in the *Anti-Corruption and Anti-Fraud Policy* and in the other internal procedures and rules in this area, not to take reprisals against those using the aforementioned mailboxes, with the logical exception of cases of bad faith. As a new development in 2018, the Compliance Unit has made anonymous ethics mailboxes available to the employees of the companies in Spain and Mexico.

The group also has suppliers' ethics mailboxes. Such mailboxes are communication channels to enable the suppliers of the group, as well as any 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 (i) infringement by any group professional of the Corporate Governance System, the *Code of Ethics* or applicable law, or (ii) the commission by a supplier, its subcontractors or their respective employees of any act contrary to the law or to the provisions of the *Code of Ethics* within the framework of their business relations with the group. These mailboxes are available in the procurement portal of the website. This mailbox also has the option of reporting anonymous grievances since 2018.

The group also has a shareholders' ethics mailbox. This mailbox represents a channel of communication through which shareholders can report conduct that might involve 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".

Iberdrola group ethical culture survey 2018

In September 2018 the Compliance Unit took a survey of the ethical climate for all professionals of the group, obtaining more than 17,500 responses. The survey attempts to evaluate the ethical culture of the organisation and tries to measure significant aspects like employee perception of the company's ethical culture, their evaluation of the controls within the organisation and their confidence in the ethics mailboxes.

An analysis of the survey results leads to a number of specific measures to improve situations or problems that have been detected.

Internal reviews of the compliance system

During financial year 2018, internal audit performed a review of the *Crime Prevention Programmes* of the companies of the Iberdrola Spain subgroup, focusing on the following crimes:

- Business corruption
- Money laundering

- Illegal financing of political parties
- Bribery and influence peddling
- Terrorism financing

Although the results thereof did not indicate any non-compliance, certain areas for improvement have been identified and sent to the corresponding Compliance Divisions for assessment.

Internal reviews of the compliance system

- In 2018, as a result of the external audit of Iberdrola's Compliance System by the Ethisphere Institute, the company has renewed the "Compliance Leader Verification" certification, which this institute gives to those companies that not only comply with applicable legal provisions but go beyond them and demonstrate the existence of an internal culture and leadership that promotes ethical values in their businesses.
- Iberdrola has been included by the Ethisphere Institute for the fifth consecutive year as one of the most ethical companies in the world, according to the World's Most Ethical Companies 2018 ranking. Iberdrola is once again the only Spanish company with this classification.
- After the annual follow-up audit in 2018, Aenor has made an evaluation of Iberdrola's system according to (1) the UNE-ISO 37001 standard regarding the anti-bribery management system, and (2) the UNE19601 standard regarding criminal management systems.
Also in 2018, (i) the country subholding company Iberdrola España, S.A.U. and its head of business companies, and (ii) Iberdrola Inmobiliaria, S.A.U. have obtained the ISO37001 and UNE19601 certifications mentioned in the preceding paragraph.
- The law firm Uría Menéndez has issued a report evaluating the effectiveness of the *Crime Prevention Programmes* implemented at the various companies of the group. As a result of the review for 2017, it was concluded that these programmes are in compliance with best international practices, are effective and are useful to significantly reduce the risk of commission of the crimes sought to be prevented.
- Finally, Iberdrola was given the "Companies with best compliance practices 2018-2019" award by Expansión. This award is given to those companies that have a compliance model ensuring not only compliance with the internal or external rules to which it is subject, but that also has appropriate procedures, tools and personnel.

6. Response and remediation plans

205-3

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

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

In addition to the work of investigation, in view of the results of the investigation or grievance processes, the Compliance Unit or Divisions may identify potential corrective actions and make suggestions to the corresponding areas to improve the control, prevention and mitigation systems.

As regards the communications received through the ethics mailboxes established in the group, a total of 1,695 communications were received in financial year 2018, of which 655 were queries and 1,040 were complaints. Of the 1,040 complaints received, 648 were accepted for processing. In 8 % of the cases of complaints allowed to proceed, some type of disciplinary action was taken upon a showing that there had been improper conduct or conduct contrary to the *Code of Ethics* or any other applicable rule.

Information regarding the existence of cases of corruption during the financial year

The company has not been informed, either through the ethics mailboxes or through the corresponding legal channels of its Legal Services, of any specific court decisions regarding cases of corruption during the reporting period. There were also no incidents reported through the mailboxes established for such purpose resulting in the cancellation of orders or of contracts with group suppliers.

Proceedings from prior years with an impact on the financial year

On 22 December 2017, the European Investment Bank (the "EIB"), Iberdrola Ingeniería y Construcción, S.A.U. and Iberdrola S.A. (in its capacity as owner of all of the share capital of Iberdrola Ingeniería y Construcción, S.A.U. through the country subholding company Iberdrola Participaciones, S.A.U.) signed a settlement agreement (the "**Agreement**") within the framework of the EIB's investigation relating to the Riga TEC-2 project to rebuild a thermal plant in Riga (Latvia), which was awarded to Iberdrola Ingeniería y Construcción, S.A.U. on 8 December 2005 and financed by this institution.

Among the obligations agreed to with the bank under the Agreement, Iberdrola Ingeniería y Construcción, S.A.U. and Iberdrola, S.A. have committed to develop, finance and implement a specific programme to sponsor activities in the area of compliance by taking actions and measures in favour of the fight against corruption and fraud for a period of four years from the signing of the Agreement. Within this context, the company has performed more than 20 % of the agreed activities during 2018.

Fiscal responsibility

The fiscally responsible behaviour of all companies of the Iberdrola group forms part of the *General Sustainability Development Policy* which contemplates basic principles of conduct that must be respected. The taxes that the group pays in the countries and territories in which it operates are the main contribution of the companies of the group to sustaining public expenditures, and thus one of their contributions to society.

The values that guide the corporate policies, internal rules and other internal codes and procedures include ethical principles, good corporate governance and institutional transparency and loyalty.

In 2010 the Board of Directors approved a *Corporate Tax Policy*, which was last updated on 18 December 2018. This Policy contains the tax strategy of Iberdrola, S.A. and its commitment to the application of good tax practices, and is applicable to all companies of the group in all of the countries in which it operates.

The Tax Policy defines a number of principles, including:

- *"The prevention and reduction of significant tax risks, ensuring that taxes bear an appropriate relationship to the structure and location of activities, human and material resources, and the group's business risks"*.
- *"The strengthening of the relationship with tax authorities based on respect for the law, fidelity, reliability, professionalism, cooperation, reciprocity, and good faith, without prejudice to the legitimate disputes that, observing the aforementioned principles and in the defence of the corporate interest, may arise with such authorities concerning the interpretation of applicable legal provisions"*.
- *"Envisaging the taxes that group companies pay in the countries and territories in which they operate as the principal contribution to sustaining public expenditures, and therefore one of their contributions to society"*.

And by application of these principles, the group assumes the following good tax practices, among others:

- *"Not to use artificial structures unrelated to the Company's business for the sole purpose of reducing its tax burden nor, in particular, enter into transactions with related entities solely to erode the tax basis or to transfer profits to low-tax territories"*.
- *"Avoid opaque structures for tax purposes, which are understood as structures calculated to prevent knowledge by the competent tax authorities of the party ultimately responsible for the activities or of the ultimate owner of the assets or rights involved"*.
- *"Not to create or acquire companies resident in tax havens, with the sole exception of those cases in which it is forced to do so because it is an indirect acquisition in which the company that is resident in a tax haven is part of a group of companies that are being acquired"*.
- *"Follow the recommendations of the good tax practices codes implemented in the countries in which the companies of the group do business, taking into account the group's specific needs and circumstances"*.

Applying the maximum standards of tax transparency, Iberdrola, S.A. has adhered to the *Code of Good Tax Practices* approved on 20 July 2010 by the full Forum of Large Businesses (*Foro de Grandes Empresas*), established on 10 July 2009 at the behest of the National Tax Administration Agency (*Agencia Estatal de Administración Tributaria*). Iberdrola's commitment to compliance with, further development and implementation of the Code will extend to any other good tax practices that stem from the recommendations of the Code in effect at any time, even if not expressly set forth in the *Corporate Tax Policy*.

In addition, in order to strengthen its commitments in this area, Iberdrola, S.A. has submitted to the Spanish tax authorities the "Annual Tax Transparency Report for companies adhering to the Good Tax Practices Code" for 2015, 2016 and 2017.

In 2018, it began a new path through the preparation for purposes of the holding of the company's General Shareholders' Meeting of a document regarding "Global Tax Contribution/Financial Year 2017 - Our Commitment to Society". This document will be included after 2019 in the "Tax Transparency Report" approved by the Board of Directors, which will group together all significant tax issues.

Furthermore, aware of the significance today of tax havens and non-cooperative jurisdictions, it should be noted that the Iberdrola group does not include within its controlled affiliates and assets 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) or in territories classified by the European Union in its black list as non-cooperative jurisdictions for tax purposes.

It only held an indirect interest in the company Garter (an inactive company residing in the British Virgin Islands) acquired with the merger of Neoenergia into the Iberdrola group at the end of August 2017, although this company has already been liquidated.

The group also pays special attention to the state of Delaware due to the interest it raises, even though it is not considered a tax haven or non-cooperative jurisdiction. In this regard, various companies forming part of the Iberdrola group were incorporated in this state. In fact, in the United States, it is customary practice to incorporate companies in the State of Delaware, due to the development of its commercial law and strong jurisprudence. This combination provides strong legal security in the commercial arena.

However, the tax domicile of the companies (which determines the tax system applicable thereto and where they should register for such purpose and pay taxes) is determined by the place where the administration and management of the businesses of the companies is concentrated, regardless of the place of incorporation. Thus, the companies of the Iberdrola group incorporated in Delaware as well as in any other state of the United States have their tax domicile and pay taxes in the states in which the locations of operation of the consolidated tax group of which they form a part are located, which does not include Delaware. In summary, the companies of the Iberdrola group are incorporated according to objective business standards and not to tax engineering structures.

Iberdrola is fully aligned with the principles and actions proposed by the OECD's "BEPS Plan". Specifically, as regards Transfer Pricing, state that the group assesses related-party transactions at arms'-length prices in line with the OECD Guidelines in this area. Furthermore, all existing related-party transactions of the group are duly documented on the terms provided by the legal provisions of the various countries. The group is also committed to the preparation and presentation in due time and form of the Country-by-Country Report upon the terms provided by the law of its parent company, Spain. In the Country-by-Country Report for 2016 and 2017, submitted in 2017 and 2018, respectively, information regarding the activities of the group was reported, as was information regarding all taxes paid and collected by the companies of the group in the various tax jurisdictions in which it is present.

In 2017 and 2018 Iberdrola was ranked as the leading company on the tax transparency ranking of Ibex 35 companies, prepared by Fundación Compromiso y Transparencia based on 2016 and 2017 information, respectively, in recognition of its good tax practices and its transparency.

The taxes paid are presented in the following table:

| Tax contribution (€ millions) | 2018 | 2017 | 2016 ¹¹² |
|---|--------------|--------------|---------------------|
| Company contributions | 3,096 | 2,723 | 2,768 |
| Contributions due to third-party payments | 4,843 | 4,388 | 4,361 |
| Iberdrola consolidated total | 7,939 | 7,111 | 7,129 |

More than 98 % of taxes paid (total contribution) by the group occur in the five most relevant countries. A detailed breakdown by geographic area can be found in Annex 1 Supplementary Information.

Competition

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



GRI 206

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. The group also 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 Sustainable Development Policy*.

In relation to the foregoing, and specifically pursuant to the provisions of the *Anti-Corruption and Anti-Fraud Policy*, the companies of the group promote a transparent environment, maintaining appropriate internal channels to favour the communication of possible irregularities, including the ethics mailboxes, which allow professionals of the group, suppliers and shareholders of the company to communicate conduct that may entail a breach of the company's Corporate Governance System or the commission by a professional of the group of an act contrary to the law or to the rules of the *Code of Ethics*.

At the country level, each of the country subholding companies endeavours to ensure strict compliance with legal provisions on separation of activities. In many countries like Spain, where a *Code for the Separation of Activities of the Companies of the Iberdrola group in Spain* applies, applicable internal rules go beyond what is required by law, significantly strengthening the measures to prevent any anti-competitive practices deriving from a lack of separation between the liberalised and regulated businesses.

The liberalised head of business companies also have specific controls to avoid any type of anti-competitive practices, particularly in areas like advertising campaigns directed towards individuals and price manipulation.

In Spain, the generation head of business company has access to Autocontrol, a private entity that works for truthful, legal, honest and trustworthy advertising, which among other activities provides a consulting service to advise on the ethical and legal adequacy of campaigns before they are launched. It has also implemented internal processes to ensure compliance with *Regulation (EU) 1227/2011 of the*

¹¹² For better comparability of the 2017 and 2016 information, 100 % of the taxes paid by Neoenergia in Brazil during 2016 are included.

European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency and the legal provisions in further development thereof, which establish rules prohibiting abusive practices that affect the wholesale energy markets. In other jurisdictions, the liberalised head of business companies have equivalent internal policies and rules.

In the United Kingdom, ScottishPower has implemented internal processes to ensure compliance with REMIT, the EU regulation on the integrity and transparency of the energy market. REMIT provides a specific regulatory framework for wholesale energy markets that defines market abuse (including manipulation or attempted manipulation of the market, use of inside information, explicit prohibition against market abuse, etc.). The regulator Ofgem supervises compliance with such regulations on integrity and transparency of the electricity and gas market, monitoring, investigating and sanctioning violations of REMIT.

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 below requiring the intervention of the competent courts.

206-1

In 2017, a class action lawsuit was filed with the United States District Court of Massachusetts on behalf of New England customers against the company and Eversource, alleging that certain of their respective subsidiaries that provide natural gas transmission services using the Algonquin Gas Transmission (hereinafter, "AGT") pipeline, which for the company would be its indirect subsidiaries SCG and CNG, engaged in natural gas pipeline capacity scheduling practices with respect to AGT that resulted in an artificial increase in electricity prices in New England. The plaintiffs sought to recover damages, disgorgement, redress in the form of restitution, injunctive relief and an award of costs. The company filed a motion to dismiss all claims on 29 January 2018, and on 27 February 2018, the Federal Energy Regulatory Commission (hereinafter, "FERC") released the results of a staff inquiry into the gas pipeline capacity scheduling practices involving the AGT. The FERC stated that the inquiry did not uncover any evidence of anticompetitive withholding of natural gas pipeline capacity on the AGT and that it would not take any further action on the matter. On 27 April 2018, the company filed a motion to dismiss all claims based on federal pre-emption and lack of any evidence of antitrust behaviour, citing, among other reasons, the results of the inquiry conducted by FERC staff. The plaintiffs filed opposition to the motion to dismiss on 25 May 2018, and the U.S. District Court of Massachusetts held a hearing on the motion to dismiss on 1 August 2018. On 11 September 2018, the U.S. District Court upheld the motion filed by the company and dismissed all of the claims. On 10 October 2018, the plaintiffs filed an appeal. The company cannot predict the outcome of this class action lawsuit.

In addition, on 10 August 2018, PNE Energy Supply LLC, a competitive energy supplier located in New England that purchases electricity in the day-ahead and real time wholesale electric market, filed a civil antitrust action, on behalf of itself and those similarly situated, against Avangrid and Eversource alleging that their respective gas subsidiaries illegally manipulated the supply of pipeline capacity in the "secondary capacity market" in order to artificially inflate New England natural gas and electricity prices. The plaintiff claimed to represent entities which purchased electricity directly in the wholesale electricity market that it claimed was targeted by the alleged anticompetitive conduct of Eversource and the company. On 28 September 2018, the company filed a motion to dismiss all of the claims based on federal pre-emption and lack of any evidence of antitrust behaviour, citing, among other reasons, the results of the FERC staff inquiry and the dismissal of the claim by the same Court in September. The company cannot predict the outcome of this class action lawsuit.

No cases related to monopoly practices or anti-competitive behaviour have been recorded at the other companies of the Iberdrola group during the financial year. Nor do any cases filed in prior years remain open.

Public policy

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



GRI 415

Relations with regulatory entities and social institutions

Iberdrola has two kinds of relationships with regulatory entities:

- Relationships geared towards contributing 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. The company 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.
- 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.. 102-13

| International | |
|---|--|
| World Energy Council | WindEurope |
| World Economic Forum | Electric Power Research Institute (EPRI) |
| United Nations Global Compact | European Distribution System Operators (EDSO) |
| Union of the Electricity Industry EURELECTRIC | Global Wind Energy Council (GWEC) |
| CSR Europe | Nuclear Industry Association (NIA) |
| International Electrotechnical Commission/European Committee for Electrotechnical Standardisation (IEC/CENELEC) | European Network of Transmission System Operators for Electricity (ENTSOE) |
| International Emissions Trading Association (IETA) | World Association Nuclear Operator (WANO) |
| BetterCoal | European Utilities Telecom Council-EUTC |
| Institute of Electrical and Electronics Engineers (IEEE) | International Conference on Electricity Distribution (CIRED) |
| European Round Table (ERT) | Smart Life |
| Prime Alliance | International Council on Large Electric Systems (CIGRE) |
| Connection Network Codes | European Technology Platform Smart Grids |
| Solar Power Europe | |
| Spain | |
| Foro de la Industria Nuclear Española | Unión Española Fotovoltaica (UNEF) |
| Asociación Española del Gas (SEDIGAS) | Red Española del Pacto Mundial |
| Plataforma Española de Redes Eléctricas (FUTURED) | Confederación Española de Organizaciones Empresariales (CEOE/Cepyme) |
| Asociación Española de la Industria Eléctrica (AELEC) | Círculo de empresarios |
| Instituto Tecnológico de la Energía (ITE) | Cámara de Comercio de España |
| Asociación Española de Normalización (AENOR) | Club de Excelencia en Sostenibilidad |
| Fundación COTEC para la Innovación | Club Español de la Energía |
| Asociación Empresarial para el Desarrollo e Impulso del Vehículo Eléctrico | Asociación Empresarial Eólica (AEE) |
| Corporate Excellence | Grupo Español de Crecimiento Verde |
| United Kingdom | |
| The Confederation of British Industry | Aviation Investment Fund Company Limited |
| The Scottish Council for Development and Industry | Energy UK - Energy Efficiency Group |
| Energy UK-ECO Group | Generators Safety & Integrity Programme |
| Energy Networks Association | Business Disability Forum |
| Scottish Renewables UK | Energy Institute |

| | |
|---|---|
| Energy & Utility Skills | Energy Action Scotland |
| Scotland's Towns Partnership | Cheshire Energy Hub |
| National Skills Academy for Power | Joint Environment Programme |
| Institute of Engineering & Technology | Gas Storage Operators Group |
| National Energy Action | Energy Efficiency Group |
| Scottish Rugby Union | British Hydro Association |
| Distribution Connection and Use of System Agreement (DCUSA) | Glasgow & Edinburgh Chamber of Commerce |
| United States | |
| Business Council of New York State | American Wind Energy Association (AWEA) |
| Mid-Atlantic Renewable Energy Coalition (PJM States) | Center for Energy Workforce Development (CEWD) |
| Maine Better Transportation Assn | The Nature Conservancy-Maine (TNC) |
| NY State Economic Development Council | Maine Audubon Society |
| Greater Binghamton Chamber of Commerce | E2Tech |
| Maine & Company | Maine State Chamber of Commerce (MSCC) |
| Northeast Gas Association (NGA) | Renewable Energy Northwest (RENEW) |
| Renewable Energy Northeast (RENEW) | The Wind Coalition (TWC) |
| Gas Technology Institute (GTI) | American Gas Association (AGA) |
| Edison Electric Institute (EEI) | Wind on the Wires (WOW) |
| Interwest Energy Alliance | Alliance for Clean Energy - New York (ACE-NY) |
| Center for Energy Efficiency and Renewable Technologies (CEERT) | Independent Energy Producers Association of California |
| Northeast Underground Committee (NEUC) | New England Power Pool |
| National Electrical Safe Code | New England-Canada Business Council |
| Mid-Atlantic Renewable Energy Coalition (MAREC) | Center for Energy Efficiency (CEERT) |
| North American Electric Reliability Corporation (NERC) | Northeast Transmission Group (NETG) |
| ISO New England (ISO-NE) | Energy Council of the Northeast (ECNE) |
| Connecticut Energy Workforce Development Consortium (CTEWDC) | North American Transmission Owner and Operator Forum (NATF) |
| Call Before You Dig, Connecticut | Association of Edison Illuminating Companies |
| American National Standards Institute (ANSI) | Operations Technology Development (OTD) |
| Industrial Asset Management Council (IAMC) | Clean Grid Alliance (WOW) |
| The Wind Coalition (TWC) | Rochester Business Alliance |

| Mexico | |
|--|--|
| Asociación Mexicana de Energía Eólica (AMDEE) | Cámara Española de Comercio, A.C. (CEE) |
| Asociación Mexicana de Energía, A.C (AME) | 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 (CAINTRA) | Consejo Ejecutivo de Empresas Globales, AC |
| Empre-Bask México, A.C | |
| Brazil | |
| Associação Brasileira de Distribuidoras de Energia Elétrica (ABRADEE) | Associação Brasileira da Infraestrutura e Indústrias de Base (ABDIB) |
| Associação Brasileira dos Comercializadores de Energia (ABRACEEL) | Sistema Federação das Indústrias do Estado da Bahia (CIEB) |
| Movimiento Pernambuco Empresarial (ABERJE) | Instituto Ethos de Responsabilidade Social |
| Associação Brasileira de Energia Solar (ABSOLAR) | American Chamber of Commerce (AMCHAM) |
| Associação Brasileira de Geradoras Termelétricas (ABRAGET) | Associação Brasileira de Energia Eólica (ABEEOLICA) |
| Associação Brasileira das Empresas de Transmissão de Energia Elétrica (ABRATE) | Associação Brasileira de Relações Institucionais e Governamentais (ABRIG) |
| Comitê da Bacia Hidrográfica do Rio Doce | Instituto Acende Brasil |
| Associação Brasileira dos Contadores do Setor de Energia Elétrica (ABRACONE) | Associação Brasileira das Empresas Geradoras de Energia Elétrica (ABRAGE) |
| Federação das Indústrias do Estado de Pernambuco (FIEPE) | Associação Brasileira dos Produtores Independentes de Energia Elétrica (APINE) |
| Centro de Pesquisas de Energia Elétrica (CEPEL) | |

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.

Transparency of regulatory positions

As a general rule, Iberdrola endorses the principles of good regulation: proportionality, effectiveness and efficiency, responsibility and independence, consistency and credibility and, finally, transparency and clarity.

Therefore, a project for the dissemination of regulatory positions has been developed as part of Iberdrola's transparency policy. The company has thus made publicly available a compilation of [Global Regulatory Positions](#), valid for all countries and businesses. The goal is for the regulatory positions advanced by Iberdrola to be transparent and well-known.

Iberdrola backs the objective of decarbonising the economy, taking a leading role in the transformation of the electricity sector. At year-end 2018, 68.2 % of its installed capacity is emissions-free, the company being the leading renewable energy producer among European utilities and in the United States.

In order to decarbonise the economy, it is necessary to evolve into more efficient energy uses from emissions-free energy:

1. First, **the electricity sector must be transformed**, with fossil fuels being replaced by renewable energy.

Along these lines, all existing energy plans include penetration objectives for renewables; specifically, the European Union has set a binding 32 % by the year 2030.

Renewables are intermittent and their costs are mostly fixed; therefore, in order to ensure their development, long-term revenue stabilisation policies are needed, such as auctions and Power Purchase Agreements (PPAs).

In addition, firm and flexible capacities, which are needed to match demand and production, require specific payments associated with capacity, without putting the environmental objectives at risk.

Finally, the electricity grid is key to integrating distributed and intermittent resources and to optimising the global investment. It must be adequately remunerated for these new services, and the associated costs must be allocated among all the system users.

2. Furthermore, **the other energy uses, especially transportation and construction, must be electrified**, based on an appropriate cost-benefit analysis.

As far as transportation is concerned, the most efficient and sustainable means of decarbonisation is the development of the electric vehicle. In this regard, technological development and an adequate recharge network must both be promoted. In order to honour the commitments of the Paris Agreement and become carbon-neutral, there should be no internal combustion vehicles by 2050.

As regards construction, the heat pump is an efficient alternative that should be specifically advanced as a renewable solution.

Once the economy has been electrified to the maximum possible extent, other energy alternatives should be considered for uses that do not allow for electrification. For example, electrogas could be a viable alternative for sea and air transport.

3. The electrification of the economy must be financed by all the polluting sectors, for which purpose an economic signal, in certain cases coupled with a tax reform, is indispensable.

In this transformation process, it is essential for consumers to be able to make appropriate decisions based on true, adequate and clear information. Smart meters provide customers with better information on their consumption patterns and allow for continued progress toward custom-made offerings.

Renewable distributed generation (internal consumption) contributes to reducing emissions and makes the customer a more active player. Customers should be allowed to feed their surpluses into the network and receive the energy price in effect at the time of injection.

The company places a greater focus on vulnerable customers, to whom it wishes to guarantee basic energy supply. Several countries have developed protection policies in this regard that must be funded from general budget revenues.

The most prominent institutions share this view of electrification of the economy: MIT, EPRI, NARUC, CEER, etc.

External initiatives to which the organisation subscribes or which it endorses

102-12

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:

Iberdrola is fully aligned with the [Sustainable Development Goals \(SDGs\)](#), including them in its business strategy and its *General Sustainable Development Policy*. In addition to meeting its goals to reduce the intensity of CO₂ emissions 30 % by 2020 and 50 % by 2030 and being carbon-neutral by 2050, Iberdrola is actively working to contribute to the success of the SDGs and for other citizens and companies to be aware of them and contribute to the achievement thereof. Along these lines, it is working with universities (Universidad de Salamanca and Universidad Politécnica de Madrid, ESADE), organising informational seminars, publishing materials and participating in forums like the *High Level Political Forum 2018* in New York and the *Youth Speak Forum* (of which Iberdrola is once again a Gold Partner) of the AIESEC

initiative. A partial summary of the organisations and initiatives with which it has collaborated more actively during the whole process is provided below:

- World Economic Forum (WEF) –CEO Climate Leaders–.
 - World Business Council of Sustainable Development (WBCSD)
 - UN Global Compact LEAD.
 - European Round Table of Industrialists.
 - The Prince of Wales's Corporate Leaders Group. Green Growth Platform.
 - Carbon Pricing Leadership Coalition.
 - REDS, Red Española de Desarrollo Sostenible.
 - SE4ALL.
 - We Mean Business.
 - The Climate Group.
 - Fundación Rafael del Pino- Programa Inicia
 - Bruegel.
- Items of note in the Spanish context are a very active collaboration with the Spanish Office of Climate Change and Iberdrola's participation in the Spanish Green Growth Group, of which it is vice-president.
 - The *Good Tax Practices Code* of the Large Business Forum of the Spanish Tax Agency, part of the Ministry of Treasury 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 Global Compact since 2002. Iberdrola has also engaged in other initiatives in collaboration with this organisation, like the participation of Iberdrola's chairman Ignacio Galán in the *UN Global Compact Leaders Summit*, and the LEAD global programme, projects relating to human rights, the fight against climate change, and membership in other platforms and activities at the domestic and international levels. This Progress Report that Iberdrola prepares annually to communicate progress in complying with and disseminating the *Principles of the Global Compact* has reached the maximum level, defined as *Advanced*.
 - In Spain, Iberdrola also adhered to an SF6 emissions reduction initiative, within the framework of an agreement between the Spanish Electrical Industry Association (*Asociación Española de la Industria Eléctrica*) (AELEC) and the Ministry of the Environment.

In the United Kingdom, ScottishPower has created a team dedicated to coordinating activities with the Cancer Research association, and all joint actions carried out since it joined an initiative in 2012 in order to procure funds to investigate this illness. Since then, they have amply achieved their goals, and there have been countless initiatives by ScottishPower employees helping to raise awareness of the treatment of this illness: *Race for Life*, *Stand up to Cancer*. It also has a specific rate called *Help Beat Cancer Fixed Price*, which when purchased commits the company to work with this organisation by contributing up to 5 pounds per contract per year.

Along these lines, within the framework of collaboration with the Spanish Cancer Association (*Asociación Española Contra el Cáncer*) (AECC), the *Together against cancer (Juntos contra el cáncer)* initiative was launched in Spain in October 2016, offering the opportunity to make small monthly donations via one's electricity bill with a commitment from Iberdrola to double the amount donated by its customers. This initiative continued in 2018, and more than 86,000 customers have already joined to collect funds. The company also participates in the proceedings of World Cancer Day and World Cancer Research Day.

In Brazil there is a continuation of the *Together for the Sustainable Development of Communities*, which is intended to contribute to improving social and corporate investments and stimulate the participation of private initiatives. For yet another year Iberdrola has supported the Mexican Red Cross

in its national drive for 2018, while the company has participated in the creation of the "Fund to Support the Tehuantepec Isthmus" operated by the Mexican Wind Power Association, to rebuild the area affected by the earthquake.

Finally, in the United States, Avangrid participates in *Reforming Energy Vision (REV)* to promote a more efficient use of energy and greater penetration of renewables in the country. It is also a member of *The Partnership on Climate Resilience* of the U.S. Department of Energy to combat the effects of climate change and modernise energy infrastructures for the future. And it is also a signatory of the *American Business Act Climate Pledge* to support the fight against climate change.

Lobbying activities and contributions to political parties or to related institutions

415-1

As regards lobbying activities, Iberdrola is registered with the Transparency Register created by European institutions to provide 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 on the EU's website. In its activities to influence public policies, Avangrid has made the financial contributions shown in the [US register](#).

Iberdrola has a neutral position from a political standpoint. In financial year 2018, none of the group's companies, except in the United Kingdom and the United States, contributed to the financing of political parties or to organisations controlled by them.

| Contributions to political parties (€) | 2018 | 2017 | 2016 |
|--|---------------|---------------|----------------|
| United Kingdom | 27,696 | 26,266 | 26,889 |
| United States | 35,129 | 14,997 | 129,543 |
| Federal level | 0 | 0 | 0 |
| State level | 35,129 | 14,997 | 129,543 |
| Other countries | 0 | 0 | 0 |
| Total | 62,825 | 41,263 | 156,432 |

In the United Kingdom, ScottishPower contributed a total of 27,696 euros, distributed among various parties across the political spectrum, to sponsor lectures 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, the Renewables Business of Avangrid contributed a total of 35,129 euros to candidates and political parties, and reported such contributions in accordance with applicable law. The contributions are those made by the company and do not include additional voluntary contributions made by employees.

Cybersecurity and information privacy

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



In order to ensure appropriate protection of the group's physical and IT assets, Iberdrola has a [Cybersecurity Risk Policy](#), approved by the Board of Directors, which establishes a global framework for the control and management of the cybersecurity risks applicable to all the companies of the group.

In particular, it refers to the risks arising from threats to and vulnerabilities in information, information technology and communications systems and any other asset that forms part of the group's cyber-infrastructure. The framework establishes the guidelines for a cybersecurity management model common to the entire group, based on the establishment of a Cybersecurity Committee and on the development of global rules and standards to be applied within all the businesses and corporate functions. Iberdrola has appointed a chief information security officer (CISO) to lead and supervise the deployment of the global cybersecurity strategy, as well as information security officers at the various country subholding companies to ensure the implementation thereof in each country, taking into account the particularities of their territory.

The group's Cybersecurity Committee, led by the global CISO, and on which all businesses and corporate functions are represented, promotes and supervises the deployment of the cybersecurity strategic plan and rules throughout the organisation, based on risk analysis and management and on the application of technical and organisational measures for appropriate protection and resilience of assets based on the critical nature thereof. It also establishes training and awareness-raising for the entire workforce, cybersecurity in the supply chain and the management of threats and incidents, including collaboration with government authorities and external security services to defend the brand and the company's customers against potential risks and fraud through social engineering.

GRI 418

Iberdrola pays special attention to ensuring the privacy of the personal information of the group's Stakeholders. For this purpose, the company has a [Personal Data Protection Policy](#), approved by the Board of Directors, and conforming to the *European Global Data Protection Regulation*. Its purpose is to guarantee the right to the protection of data of all individuals dealing with companies belonging to the group, ensuring respect for the right to dignity and privacy in processing of the personal data, and particularly the establishment of the common principles and guidelines to govern the group regarding the protection of data, guaranteeing compliance with applicable law on this topic in all countries in which the group is present.

To further develop this policy, the Corporate Security Division has developed a *Global Personal Data Protection Framework* of the Iberdrola group, which establishes the general standards and the global governance model on personal data protection and defines the coordination mechanisms and responsibilities in this area. The Corporate Security Division is the body responsible for developing the global data protection strategy, with the support of Legal Services and technological support of the Systems Division, for the data processing performed by the group.

The Iberdrola group has also appointed a Global Data Protection Officer, who will rely on a network of Local Data Protection Officers at each of the country subholding companies of the countries in which the group does business, and which ensures the implementation in each country of the global personal data protection strategy, taking into account the particularities of their territory.

The table below shows substantiated complaints regarding breaches of violations of privacy and losses of customer data.

418-1

| Incidents relating to privacy (no.) | 2018 | 2017 | 2016 |
|---------------------------------------|------------|------------|------------|
| From regulatory entities | 173 | 163 | 175 |
| From other sources, substantiated | 191 | 29 | 14 |
| Total substantiated complaints | 364 | 192 | 189 |

Of the incidents arising from regulatory entities, 151 occurred in the United Kingdom and 22 occurred in Spain. Of those having another origin there were 181 in the United Kingdom and 10 in Spain.

During 2018 there were also 6 cases of loss or breach of customer data, 3 in Spain and 3 in the United Kingdom.

Socioeconomic compliance

Contribution to SDGs of the performance described by the indicators of this section (according to SDG Compass www.sdgcompass.org)



GRI 419

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 ethical principles and generally accepted principles of sustainable development. 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 enable such professionals to understand and fulfil the legal and regulatory obligations, including internal ones, applicable to their position.
- 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.

419-1

The following table shows violations of laws and regulations in the social and economic area, i.e. all violations of any kind (whether labour, tax, competition, related to distribution or retail sale of energy and gas, etc.) of the Iberdrola group, other than violations of environmental regulations, which are set out in Chapter II.3.

| Significant fines and non-monetary sanctions in the social and economic area ¹¹³ | 2018 | 2017 | 2016 |
|---|------------|------------|-------------|
| Fines imposed (€) | 59,544,962 | 58,891,707 | 208,758,953 |
| Non-monetary sanctions (no.) | 17 | 1 | 3 |
| Cases being resolved through arbitration or similar mechanisms (no.) | 301 | 465 | 575 |

Of the total amount, fines in the amount of 58,508,283 euros have been imposed in Brazil, of which 48,545,380 euros correspond to fines of the Networks Business, mainly a fine for alleged violations in the calculation of corporate income taxes (*impuesto sobre la renta de las personas jurídicas*) (IRPJ) and corporate social contributions (*contribución Social sobre el beneficio neto de las personas jurídicas*) (CSLL). In the Renewables Business, there were fines in the amount of 5,315,971 euros, mainly for a finding of a violation in the collection of the tax on services (*impuesto sobre servicios*) (ISS) in relation to construction contracts for two wind farms. In the Wholesale Business, there were fines in the amount of 3,435,476 euros relating to findings of violations and tax notices, for which the company has submitted a defence. Fines were also imposed at Neoenergia Corporation in the amount of 1,211,456 euros mainly for two tax penalties applied by the Brazilian tax authority for failure to homologate a declared loan in two proceedings and 18,397 euros for labour violations.

Fines in the amount of 654,435 euros were imposed in Spain, of which: 256,325 euros are for fines imposed on the Wholesale and Retail Business (33,040 euros for provisions governing information on and advertising of the prices of goods and services, 83,283 euros for consumer claims due to supply disconnections and management of documentation, and 140,002 euros for penalties regarding personal data protection); and 398,110 imposed on the Networks Business for opening trenches without a construction permit, all of which cases are being appealed.

In the United Kingdom, ScottishPower has received two fines in the amount of 278,797 euros, one corresponding to the Networks Business for disputes in the construction of transmission networks at the Longannet and Blacklaw projects, and another corresponding to the Renewables Business for delay in payment of the Land and Buildings Transaction Tax (LBTT).

¹¹³ Arbitration mechanisms are not included in the labour area.

In the United States, fines have been imposed in the amount of 85,050 euros mainly corresponds to violations of "Dig Safe" safety regulations during the excavations.

No fines were imposed during 2018 in the other countries in which the company operates.

Finally, in Brazil, Neoenergia received 15 non-monetary penalties: 12 for consumer claims regarding bills and disconnections, for which the company, as a corrective measure, has made visits to PROCON (consumer portal) to explain the regulated right and the increase in the conciliatory attempt to resolve complaints; 2 due to a failure to pay apprentices and 1 for a claim for repair of motorways affected by lorry traffic from the construction of a wind farm. In the United Kingdom, ScottishPower has received two sanctions, one for a legal complaint for unfair dismissal, and the other for the occurrence of four turbine fires at the Arecleoch wind farm.

Labour practices grievance mechanisms

Using the standard that class actions on the same matter are deemed to be a single grievance, the companies of the group received 1,324 grievances about labour practices in 2018¹¹⁴; of these, 894 were resolved in that same year. In addition, 1,436 other grievances pending from previous years have been resolved.

¹¹⁴ The grievances received correspond to Spain, the United Kingdom, the United States, Brazil and Mexico. No grievances of this nature have been received in the other countries in which the group operates. In Spain, the United Kingdom, Brazil and Mexico, 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.

III. About this Report

- Scope of Information
- Defining Report Content. Materiality Analysis
- Content Index in Relation to the Requirements of Law 11/2018 (Statement of Non-Financial Information)
- GRI Content Index
- Content Index in Relation to the Principles of the Global Compact
- Independent External Assurance

Scope of Information

A. Introduction

Iberdrola, with a presence in almost twenty 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. At these affiliated companies Iberdrola promotes the policies approved within the group through the decision-making bodies of such companies and includes information on those considered significant in terms of sustainability.

The companies in which Iberdrola owns a direct or indirect equity interest are listed in the document *Consolidated Annual Financial Statements and Audit Report* for financial year 2018.

B. Information boundaries of this report

Time scope

102-50 102-51 102-52

Year 2018. The report is published on an annual basis.

Organisational scope

102-6 102-45

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 Standards in the preparation of this report.

To reconcile these factors, Iberdrola has established two quantitative information boundaries: global boundary and report boundary.

B.1. Global boundary (Iberdrola Total)

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

The economic information that is included in this *Statement of Non-Financial Information. Sustainability Report 2018* comes from the *Annual Financial Report* for financial year 2018.

Other non-financial information stated as within the “global boundary”, such as operating information of the group, results from adding to the “report boundary” the information of affiliates consolidated by the equity method that are not considered significant for purposes of this report (as they are minority interests in companies dedicated to non-strategic activities for the group and whose employees do not belong thereto), which are included under the heading “Other”.

B.2. Report boundary

Made up of Iberdrola, S.A. and its subsidiaries and minority-owned companies that are significant for purposes of sustainability that do business in the countries indicated in the table below and engage in the activities described therein.

Significant countries and activities for the Iberdrola group in terms of sustainability⁽¹⁾ and included in the 2018 reporting boundary

| | Group office | Electricity production | | Transmission and/or Distribution of electricity or gas | Comercialización de electricidad y/o gas ⁽²⁾⁽³⁾ | | Gas storage | Real estate |
|--------------------------------|--------------|------------------------|--------------------------|--|--|--------------------|-------------------|-------------|
| | | Conventional | Renewable ⁽⁴⁾ | | Wholesale market | Retail market | | |
| Spain ⁽⁵⁾ | X | X | X | X | LIB | LIB | | X |
| United Kingdom | X | X | X ⁽⁶⁾ | X | LIB | LIB | X | |
| United States | X | X | X | X | LIB | REG | X ⁽⁷⁾ | |
| Brazil | X | X | X | X | LIB | REG | | |
| Mexico | X | X | X | | LIB | LIB | | X |
| Portugal | X | | X | | LIB | LIB ⁽⁸⁾ | | |
| Germany | X | | X ⁽⁹⁾ | | LIB | LIB | | |
| Canada | X | | | | | | X ⁽¹⁰⁾ | |
| Greece | X | | X ⁽⁶⁾ | | | | | |
| Hungary | X | | X | | | | | |
| Poland | X | | | | | | | |
| Romania | X | | X | | | | | |
| France | X | | X | | LIB | LIB | | |
| Italy | X | | | | LIB | LIB | | |
| Rest countries ⁽¹¹⁾ | X | | | | | | | |

1) The countries set out herein are those in which the company does business, with facilities and employees. Countries in which the company makes purchases of general supplies and procures fuel are not included. The workforce reported is as at year-end.

2) 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.

3) Environmental information on sales activities in Germany, France and Italy is not consolidated, because it is not yet integrated into the corporate systems as at the date of preparation of this report. It will be included in future reports to the extent the systems collect this information.

4) It includes the activities of hydroelectric, wind and solar generation. No social or environmental information is included on facilities in which the company has an interest of less than 50 % in Spain, the United Kingdom or the United States. Environmental information on construction projects in Portugal and France is not included.

5) Any reference to the 7th Collective Bargaining Agreement includes the following companies at 31 December 2018: Iberdrola, S.A., Iberdrola España, S.A.U., Iberdrola Generación, S.A.U., Iberdrola Generación España, S.A.U., Iberdrola Generación Nuclear, S.A.U., Iberdrola Clientes, S.A.U., Iberdrola Operación y Mantenimiento, S.A.U., Iberdrola Distribución Eléctrica, S.A.U. Iberdrola Infraestructuras y Servicios de Redes, S.A.U., Iberdrola Renovables Energía, S.A.U. and Iberdrola Ingeniería y Construcción, S.A.U.

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

7) Activities corresponding to assets sold in 2018. These activities are not significant from the environmental standpoint. In the labour area employees are recorded in those indicators that are calculated with data accumulated through the date of sale.

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

9) Activities related to the 350 MW Wikinger offshore wind farm: After the connection to the German transmission network at the end of 2017, the project entered into the commercial operation phase. Special mention should be made of the official inauguration of the wind farm on 29 October 2018 in Sassnitz-Mukran, which was tremendously successful with the attendance of both guests and the media.

10) Activities are not significant from the environmental standpoint. Labour information is included in the information for the United States.

11) Other countries: Algeria, Belgium, Bulgaria, Costa Rica, Egypt, Russian Federation, Latvia, Montenegro, Qatar and South Africa. Employees in these countries represent only 0.063 % of the employees of the group. Environmental information on these activities is not included as it is not deemed relevant in terms of sustainability.

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 created for that purpose; such interest is 51.44 % in the case of Trillo-Almaraz and 14.59 % in the case of Ascó-Vandellós. A 50 % share of the environmental and social data corresponding to the activities of Nuclenor, S.A. is applied according to consolidation by the equity method.

B.3. 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 | |
|--|---|
| Report boundary = Iberdrola, S.A., subsidiaries and affiliates considered to be significant for sustainability purposes. | Spain United Kingdom United States Brazil Mexico Other countries (Portugal, Germany, Canada, Greece, Hungary, Poland, Romania, France, Italy, Algeria, Belgium, Bulgaria, Costa Rica, Egypt, Russian Federation, Latvia, Montenegro, Qatar and South Africa) Report boundary |
| Global boundary = report boundary plus the information of affiliates consolidated by the equity method that are not considered significant for purposes of this report. | Other Iberdrola total |

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 between both boundaries, 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.

Significant changes to the organisation and its supply chain

102-10

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:

- In Spain, the sale of Iberdrola Energía Solar de Puertollano in Ciudad Real to the Ence Energía, SL. group was agreed on 18 October 2018.
- In the Cogeneration area there was a sale of the interest held (20 %) in the energy recovery plant located in Mallorca to the company TIRME, S.A. and the transfer of the participation in COBANE A.I.E. to the company TARRAGONA POWER, S.L., the owner of which is Iberdrola Generación Térmica, S.L.U.
- In the United States, on 19 February 2018 Avangrid formalised a final agreement for the sale of the gas storage business unit (Enstor Gas LLC) to Amphora Gas Storage USA.

- In the United Kingdom, on 31 December 2018 Iberdrola culminated the sale of Scottish Power Generation, which included its conventional generation assets, to Drax Smart Generation Hold Co Limited.
- Finally, in Mexico the Escobedo combined cycle plant (878 MW) was placed into commercial operation during 2018.

These operations are framed within the asset rotation plan that Iberdrola presented in the Outlook 2018-2022.

Changes in capital structure

The shareholders acting at the General Shareholders' Meeting of Iberdrola held on 13 April 2018 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 2018 and the second in January 2019.

Changes in supply chain

There were no significant changes in the company's supply chain during the financial year.

Defining Report Content. Materiality Analysis

102-46

Iberdrola has indirectly identified its material aspects since 2003, using the *GRI Sustainability Reporting Standards* (and prior versions) as well as the Electric Utility Sector Supplement, both of the Global Reporting Initiative (GRI), 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 legal requests on matters of sustainability made by GRI, with its recommendations, and also 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 sustainable development and generally meeting Stakeholder expectations.

For greater precision, Iberdrola also directly identifies its own material aspects by preparing its own *Materiality Study* 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 economic, social, environmental and ethics issues that are significant to its focus on sustainable development.

The analysis for 2018 prioritises those matters of interest identified through the analysis in accordance with their significance both to Stakeholders as well as to the company’s strategy. In this way, 6 topics, shown in the following chart, have been identified as “material”:



| Priority issues |
|--|
| 19. Diversity and equal opportunity |
| 15. Energy transition |
| 20. Occupational health and safety |
| 18. Customer satisfaction |
| 13. Climate change |
| 2. Economic and financial performance |
| Significant issues |
| 11. Innovation and new business models |
| 7. Smart grids and supply quality |
| 1. Socially responsible investment |
| 24. Attraction, development and retention of human capital |
| 12. Integration of renewable energy within the electric system |
| 16. Availability and management of water |
| 4. Ethics and integrity (anti-corruption and free competition) |
| 6. Public policy |
| 25. Connectivity, digitisation and cybersecurity |
| 5. Responsible supply chain |
| 23. Vulnerable customers |
| 22. Human Rights |
| 8. Green financing |

| Other significant issues |
|----------------------------------|
| 14. Management of biodiversity |
| 21. Impact on local communities |
| 3. Transparency |
| 17. Environmental safety |
| 9. Management of natural capital |
| 10. Circular economy |

The coverage of the material topics; that is, whether the topics are significant within the organisation (internal impact on the company or its employees) or outside it (impact outside the company, outside its scope of control or on outside Stakeholders) is reflected in detail in the various sections of this report. In general terms, Iberdrola considers that its material topics have both internal and external coverage, since they directly affect the company as well as the different Stakeholders with which it has relationships.

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

102-47

| Priority issues | Description | Iberdrola's response |
|------------------------------------|--|--|
| Diversity and equal opportunity | Non-discrimination against women in the labour world and especially in management positions. Merit- and skill-based selection, salary and promotion equality. | "Diversity and equal opportunity" section of Chapter II.2. Workforce health & safety and personal development. "Non-discrimination" section of Chapter II.5. Contribution to the well-being of our communities. |
| Energy transition | Transition towards a low-carbon economy. Energy efficiency to reduce the industry's energy requirements. Regulatory changes to encourage greater inclusion of renewable energies in the "mix". Improvements in the systems for inclusion of renewable production within the grid. Nuclear plant decommissioning. | "Key operating figures" section of Chapter I. About Iberdrola. "Business model" section of Chapter I. About Iberdrola. "Energy transition and supply costs" section of Chapter II.1. Sustainable economic growth. "Efficiency in energy consumption" section of Chapter II.3. Fight against climate change and protection of biodiversity. |
| Occupational health and safety | Management of health and safety of employees and contractors, prevention policies and plans. Establishment of goals and performance in accident and absenteeism rates. Employee, supplier and subcontractor training. | "A safe work environment" section of Chapter II.2. Workforce health & safety and personal development. |
| Customer satisfaction | Evaluation of customer satisfaction and establishment of improvement objectives. Accessibility and transparency of information. Digitalization. Management of information security and privacy, grievances and claims and other matters related to meter reading, billing, rates and contracts. | "Products and services", "Access to adequate information" and "Innovation projects and Digital transformation" sections of Chapter II.4. Innovation, digitalization and quality for our customers. |
| Climate change | Science-based goals for reduction of emissions, emissions trading, CO ₂ storage systems, available adaptation and mitigation mechanisms, economic impacts from climate change, evaluation of risks and opportunities, awareness-raising and sensitisation, etc. | "Business model" section of Chapter I. About Iberdrola. "Economic/financial performance" section of Chapter II.1. Sustainable economic growth. "Introduction", "Emissions reduction" and "Efficiency in energy consumption" section of Chapter II.3. Fight against climate change and protection of biodiversity. "Products and services" section of Chapter II.4. Innovation, digitalization and quality for our customers. |
| Economic and financial performance | Action plans to guarantee results in uncertain environments. Economic value generated and distributed. Tax policy and strategy, cooperation with tax authority, tax contributions. Indirect economic impacts and creation of social value. | "Business model" section of Chapter I. About Iberdrola. "Economic/financial performance" section of Chapter II.1. Sustainable economic growth. "Contribution to society (LBG)" section of Chapter II.5. Contribution to the well-being of our communities. |

In its commitment to transparency with its Stakeholders, apart from the topics of the GRI Standards identified as material in the table above, Iberdrola also reports on other topics included in such Standards, providing continuity with information for previous financial years. All topics reported are specifically identified in the GRI Content Index that is included in this chapter of the report.

Together with these global processes of identification of and response to material issues, which Iberdrola strengthens in its public information, the company has launched a new *Global Stakeholder Relations Model*, based on the *AA1000 Stakeholder Engagement Standard (AA1000SES) 2015* standard and on its three requirements of inclusiveness, materiality and responsiveness¹¹⁵, as described in the “Stakeholder engagement” section of Chapter II.7 “Good governance, transparency and stakeholder relations”.

Statement of Non-Financial Information

In the current context there is a growing demand by society in general, as well as shareholders and investors in particular, for companies to explain the way in which they achieve financial results and their evaluation in terms of sustainability, understanding that adequate disclosure of non-financial information is an essential element for the sustainability of financing activities.

After the entry into force in 2014 of *Directive 2014/95/EU*, the Directive was transposed into the Spanish legal system in 2017 by means of *Royal Decree-law 18/2017, of 24 November*, and in 2018 *Law 11/2018, of 28 December on non-financial and diversity information* was approved. This new Law expands the legal requirements regarding non-financial information to be published regarding its management of environmental and social aspects, the management of people, diversity, respect for human rights and the fight against corruption and bribery, describing the risks, policies and results connected to these issues.

This *Statement of Non-Financial Information. Sustainability Report 2018* covers the requirements arising from the entry into force of the new legal provision, forming an integral part of the company’s management report.

This report has been prepared in accordance with the reporting requirements and recommendations of the Consolidated Set of GRI Sustainability Reporting Standards 2016 and the *Electric Utilities Sector Supplement*, both of the *Global Reporting Initiative (GRI)*.

The table below sets out the pages of this document in which you can find the information required by the new legal provision.

¹¹⁵ Iberdrola has been continuously applying Assurance Standard AA1000 for the last eleven years. In 2016 Iberdrola’s Operating Committee approved a new *Global Stakeholder Relations Model* (referred to in this report), which was implemented for the first time in 2017.

| Disclosures from the Statement of Non-Financial Information | Related GRI Disclosures | SNFI pages |
|--|--|---|
| Description of the group's business model | | |
| business environment | 102-1 | 9, 18, 19, 25, 48, |
| organisation and structure | 102-2 | 54, 66, 67, 79, |
| markets in which it does business | 102-3 | 286, 307 |
| objectives and strategies | 102-4 | |
| | 102-6 | |
| | 102-7 | |
| main factors and trends that might affect its future progress | 102-14 | |
| Description of policies that the group applies regarding such issues | | |
| due diligence procedures applied to identify, evaluate, prevent and mitigate significant risks and impacts and for verification and control | 103 | 56, 58, 60, 188 |
| measures adopted | | |
| Results of policies | | |
| key indicators of relevant non-financial results that allow for monitoring and evaluation of progress and that favour comparability among companies and industries, in accordance with the domestic, European or international reference frameworks used for each topic | | GRI content index |
| Main risks relating to these issues in connection with the group's activities | | |
| when relevant and appropriate, the commercial relations, products or services thereof that might have negative impacts in these areas, and how the group manages these risks, explaining the procedures used to detect and evaluate them in accordance with leading domestic, European or international frameworks for each area | 102-15 205-1 413-1 407-1 408-1 | 56, 58, 60, 189, 247, 280 |
| information on the impacts detected, providing a breakdown thereof, particularly regarding the main short-, medium- and long-term risks. | 409-1 | |
| Key indicators of non-financial results that are relevant regarding the specific business activity and that meet the standards of comparability, materiality, relevancy and reliability | 102-54 | Global Reporting Initiative Standards (GRI content index) |
| I. Information regarding environmental surveys | | |
| Detailed information regarding the current and expected effects of the company's activities on the environment and, if applicable, on health and safety | 102-11 201-2 308-1 | 118, 119, 123, 124, 139, 119, 142, 151, 172 |
| environmental evaluation or certification procedures | 308-2 | 224, 317 |
| resources dedicated to the prevention of environmental risks | | |
| application of the precautionary principle | | |
| amount of reserves and coverage for environmental risks | | |
| Specifically: | | |

| Pollution: | | |
|---|---|--|
| measures to prevent, reduce or repair carbon emissions that seriously affect the environ; taking into account any form of atmospheric pollution specific to an activity | 305-5 305-6 305-7 | 132, 133, 134, 135, 139, 141, 142, 317 |
| including noise and light pollution. | Non-material indicator for the company, as described in the Materiality Analysis 2018 (page 319). | |
| Circular economy and waste prevention and management: | | |
| measures for the prevention, recycling, reuse, other forms of recovery and elimination of waste | 301-2 301-3 306-2 | 119, 125, 147, 319 |
| actions to combat food waste. | Non-material indicator for the company, as described in the Materiality Analysis 2018 (page 319). | |
| Sustainable use of resources: | | |
| water consumption and supply in accordance with local limitations | 303-1 | 20, 48, 75, |
| consumption of raw materials and measures adopted to improve the efficient use thereof | 303-2 303-3 | 124-129, 131, 143, 144, 313, |
| direct and indirect consumption of energy | 301-1 | 314 |
| measures taken to improve energy efficiency and the use of renewable energy | 301-2 302-1 302-2 302-3 302-4 302-5 | |
| Climate change: | | |
| important elements of greenhouse gas emissions generated as a result of the company's activities, including the use of property and services that produce it | 305-1 305-2 305-3 | 132, 135-139, 141, 142, 316, 317 |
| measures adopted to adapt to the consequences of climate change | 305-4 305-5 | |
| voluntarily established medium- and long-term targets established to reduce greenhouse gas emissions and the means implemented to such end | 201-2 | |
| Protection of biodiversity: | | |
| measures taken to preserve or restore biodiversity | 304-3 | 150, 152, 153, |
| impacts cause by activities or operations in protected areas | 306-5 304-1 304-2 | 155-157, 315 |
| II. Information regarding social issues and personnel | | |
| Employment: | | |
| total number and distribution of employees by gender, age, country and professional classification | 102-8 405-1 | 23, 28, 84, 356-362, 322-331 |
| total number and distribution of types of employment contracts | | |
| annual average of permanent contracts, temporary contracts and part-time contracts by gender, age and professional classification, | | |
| number of dismissals by gender, age and professional classification | 103 | 90, 337 |

| | | |
|--|--------------------------------------|---|
| average remuneration and evolution thereof broken down by gender, age and professional or similar classification | 103 | 77-88 |
| salary gap | 405-2 | 111, 112 |
| remuneration of same or average job positions of the company | 103 | 88 |
| average remuneration of directors and officers, including variable remuneration, attendance fees, severance pay, payment into long-term savings benefit systems and any other remuneration broken down by gender | 102-35 102-36 102-38 102-39 | Note 47 to the Annual Financial Report 2018 |
| implementation of labour disengagement policies | 103 | 112 |
| employees with disabilities | 405-1 | 113 |
| Organisation of work: | | |
| organisation of work time | 103 | 112 |
| number of hours of absenteeism | 403-2 | 101, 346 |
| measures to facilitate enjoyment of reconciliation and encouragement of the responsible co-exercise of responsibility by both parents | 103 | 133 |
| Health and safety: | | |
| occupational health and safety conditions | 103 | 96 |
| occupational accidents, particularly the frequency and seriousness thereof broken down by gender | 403-2 | 101, 346 |
| occupational diseases; broken down by gender | 403-3 | 102 |
| Social relations: | | |
| organisation of social dialogue, including procedures to inform and consult with staff and negotiate with them | 407-1 | 91, 189, 225 |
| percentage of employees covered by collective bargaining agreements by country | 102-41 | 92, 332 |
| balance of collective bargaining agreements, particularly in the field of workplace health and safety | 403-4 | 99-100 |
| Training: | | |
| policies implemented in the field of training | 103 | 103 |
| total hours of training by professional category | 404-1 | 106, 351, 353 |
| Universal accessibility of disabled persons | 103 | 113, 114 |
| Equality: | | |
| measures adopted to promote equality of treatment and opportunities between women and men | 405 | 108-111 |
| equality plans (Chapter III of Organic Law 3/2007, of 22 March, for the effective equality of women and men) | 405 | 110 |
| protocols against sexual and gender-based harassment | 405 | 111, 114 |
| measures adopted to promote the employment, integration and universal accessibility of disabled persons | 405 | 113, 228 |
| policy against all types of discrimination and, if applicable, management of diversity | 405 | 192, 193 |

| III. Information regarding respect for human rights | | |
|--|--|--|
| application of human rights due diligence procedures | 102-16 102-17 412-3 412-2 410-1 412-1 | 16, 50, 51, 189, 195, 196, 246 |
| prevention of the risks of violating human rights and, if applicable, measures to mitigate, manage and repair possible abuses | 412 | 190, 191 |
| complaints of human rights violations | 406-1 | 192, 193 |
| promotion of and compliance with the provisions of the basic treaties of the International Labour Organization regarding respect for the freedom of association and the right to collective bargaining; the elimination of discrimination in respect of employment and occupation; the elimination of forced or compulsory labour; the effective abolition of child labour | 407-1 406-1 409-1 408-1 | 188, 189, 225, 192 |
| IV. Information regarding the fight against corruption and bribery: | | |
| measures adopted to prevent corruption and bribery | 102-16 102-17 205-1 205-2 205-3 | 16, 49, 50, 51, 53, 246-256 |
| measures to combat money laundering | 205-2 | 250, 253, 255 |
| contributions to non-profit foundations and entities | 103 | 201 |
| V. Information about the society: | | |
| Commitments of the company to sustainable development: | | |
| impact of the company's operations on employment and local development | 203-1 203-2 413-1 | 72, 73, 83, 84, 197 |
| impact of the company's operations on local communities and on the land | 203-1 203-2 411-1 413-1 413-2 | 72, 73, 193, 198, 184-187 |
| relations with local players and types of dialogue therewith | 102-43 413-1 | 197-200, 241- 245 |
| association or sponsorship activities | 102-12 102-13 | 262-264, 201- 205, 208, 265 |
| Subcontracting and suppliers: | | |
| inclusion of social, gender equality and environmental issues in the procurement policy | 102-9 308-1 414-1 | <i>Procurement Policy</i> 224, 225, 275, 362 |
| consideration of social and environmental responsibility of suppliers and subcontractors in relations with them | 414-1 414-2 | 222-228 |
| supervision and auditing systems and results thereof | 414-1 414-2 | 223, 225 |

| Consumers: | | |
|---|-------|---------|
| consumer health and safety measures | 416-1 | 171,172 |
| grievance systems, complaints received and resolution thereof | 416-2 | 170-173 |
| Tax information: | | |
| profits per country | 201 | 311 |
| taxes on profit paid | 201 | 312 |
| public subsidies received | 201-4 | 310 |

Readers of this *Sustainability Report 2018* can also read the *Annual Corporate Governance Report 2018*, the *Annual Financial Report 2018* and the *Integrated Report. February 2019*, all of which are accessible in the “Annual Reports” section of the corporate website, and which contain additional useful information for a better understanding of Iberdrola’s performance during the financial year and of its future prospects.

GRI Content Index

102-54 102-55

This report has been prepared in accordance with the GRI Standards: Comprehensive option.

External assurance: the contents of this index have been externally assured by an independent entity (PwC). The corresponding assurance report can be found in Annex 4 of this document.

Electric Utilities Sector Supplement: this index incorporates the topics and disclosures required by such supplement, published by GRI in 2014. They symbol * indicates those general standard disclosures and topics of the of GRI Standards where specific sector information is requested.

| GRI Standard | Description | SNFI pages | External assurance | Relationship with SDGs |
|---|--|--|--------------------|------------------------|
| GRI 100 UNIVERSAL STANDARDS | | | | |
| GRI 101 Foundation 2016 (Note: does not require disclosure of information) | | | | |
| GRI 102 General disclosures 2016 | | | | |
| 1.- Organisational profile * | | | | |
| 102-1 | Name of the organisation | Iberdrola S.A. | ✓ | |
| 102-2 | Primary activities, brands, products and services | 19 | ✓ | |
| 102-3 | Location of headquarters | The registered office of Iberdrola, S.A. is: Plaza Euskadi número 5 48009 Bilbao, Biscay Spain | ✓ | |
| 102-4 | Location of operations | 18 | ✓ | |
| 102-5 | Ownership and legal form | 32 | ✓ | |
| 102-6 | Markets served | 19, 21, 273 | ✓ | |
| 102-7 | Scale of the organisation | 23, 25, 306 | ✓ | |
| 102-8 | Information on employees and other workers | 28, 346 Iberdrola supervises the subcontracted activities performed, and does not deem it necessary to keep statistics regarding subcontracted personnel, except as regards health and safety | ✓ | 8 |
| 102-9 | Supply chain | 220, 222 | ✓ | |
| 102-10 | Significant changes to the organisation and its supply chain | 275 | ✓ | |
| 102-11 | Precautionary Principle or approach | 118, 121, 151 | ✓ | |
| 102-12 | External initiatives to which the organisation subscribes or which it endorses | 265 | ✓ | |
| 102-13 | Main memberships of associations | 262 | ✓ | |
| EU1* | Installed capacity | 20, 300 | ✓ | 7 |
| EU2* | Energy output | 20 | ✓ | 7, 14 |

| | | | | |
|--------------------------------|---|---|---|--------|
| EU3* | Electricity users and producers | 21,304 | √ | |
| EU4* | Transmission and distribution lines | 22,305 | √ | |
| EU5* | Allocation of CO ₂ emissions allowances or equivalent | 141 | √ | 14, 15 |
| 2.- Strategy | | | | |
| 102-14 | Statement from senior decision-maker | 9 | √ | |
| 102-15 | Key impacts, risks and opportunities | 48, 56, 58 | √ | |
| 3.-Ethics and integrity | | | | |
| 102-16 | Values, principles, standards and norms of behaviour | 16, 50, 51 | √ | 16 |
| 102-17 | Mechanisms for advice and concerns about ethics | 246 | √ | 16 |
| 4.- Governance | | | | |
| 102-18 | Governance structure | 27 | √ | |
| 102-19 | Delegating authority | 30 | √ | |
| 102-20 | Executive-level positions with responsibility for economic, social and environmental topics | 54 | √ | |
| 102-21 | Processes for consultation between Stakeholders and the Board of Directors | 235 | √ | 16 |
| 102-22 | Composition of the highest governance body and its committees | 25, 30 | √ | 5, 16 |
| 102-23 | Chair of the highest governance body | 28 | √ | 16 |
| 102-24 | Selection and nomination of the members of the highest governance body | 234 | √ | 5, 16 |
| 102-25 | Processes for the highest governance body to avoid conflicts of interest | Section D.6 of the <i>Annual Corporate Governance Report</i> for financial year 2018 describes the mechanisms used to detect, determine and resolve potential conflicts of interest between Iberdrola and its directors, officers and significant shareholders. | √ | 16 |
| 102-26 | Role of highest governance body in setting purpose, values and strategy | 16, 50 | √ | |
| 102-27 | Collective knowledge of highest governance body | 235 | √ | 4 |
| 102-28 | Evaluating the highest governance body's performance | 236 | √ | |
| 102-29 | Identifying and managing economic, environmental and social impacts | 236 | √ | 16 |
| 102-30 | Effectiveness of risk management processes | 59 | √ | |
| 102-31 | Review of economic, environmental and social topics | 236 | √ | |

| | | | | |
|----------------------------------|---|--|---|----|
| 102-32 | Highest governance body's role in sustainability reporting | Iberdrola's Board of Directors is the body responsible for reviewing the <i>Sustainability Report 2018</i> , which was approved on 19 February 2019 (following a report from the Sustainable Development Committee), the date of preparation of the company's annual accounts for financial year 2018. | √ | |
| 102-33 | Nature and total number of critical concerns | 233 | √ | |
| 102-34 | Remuneration policies | 233 | √ | |
| 102-35 | Process for determining remuneration | 237 | √ | |
| 102-36 | Stakeholders' involvement in remuneration | 237 | √ | |
| 102-37 | Involucramiento de los Grupos de interés en la remuneración | 238 | √ | 16 |
| 102-38 | Annual total compensation ratio | 238 | √ | |
| 102-39 | Percentage increase in annual total compensation ratio | 238 | √ | |
| 5.-Stakeholder engagement | | | | |
| 102-40 | Stakeholder groups engaged by the organisation | 241 | √ | |
| 102-41 | Collective bargaining agreements | 101,356 Iberdrola supervises the subcontracted activities performed, and does not deem it necessary to keep statistics regarding subcontracted personnel, except as regards health and safety | | 8 |
| 102-42 | Identifying and selecting stakeholders | 242 | √ | |
| 102-43 | Approach to stakeholder engagement | 242 | √ | |
| 102-44 | Key topics and concerns raised | 243 | √ | |
| 6.-Reporting practice | | | | |
| 102-45 | Entities included in the consolidated financial statements and in the boundary of this report | 273 | √ | |
| 102-46 | Defining report content and scope and topic boundaries | 276 | √ | |
| 102-47 | List of material topics | 278 | √ | |
| 102-48 | Restatements of information provided in previous reports | It was not considered necessary to reformulate the information from prior reports during financial year 2018. If a specific indicator requires reformulation, it will be specifically explained in the indicator itself. | √ | |

| | | | | |
|---|--|--|---|-----------------------------|
| 102-49 | Significant changes in scope and topic boundaries | There were no changes deemed significant in the scope, coverage or methods of valuation used in the report in financial year 2018, keeping the ability to compare the group's key figures with those of prior years. | √ | |
| 102-50 | Reporting period | 273 | √ | |
| 102-51 | Date of most recent report | 273 | √ | |
| 102-52 | Reporting cycle | 273 | √ | |
| 102-53 | Contact point for questions regarding the report | 410 | √ | |
| 102-54 | Claims of reporting in accordance with the GRI Standards | 285 | √ | |
| 102-55 | GRI content index | 285 | √ | |
| 102-56 | External assurance | 285 | √ | |
| GRI 103 Management approach 2016 | | | | |
| | General management approach, applicable to all aspects of this report. | 47, 50, 52, 53, 54, 55 | √ | 1, 5, 8, 12, 13, 14, 15, 16 |

| GRI 200 ECONOMIC DIMENSION | | | | | |
|--|--|--|-----------|--------------------|---------------------------------|
| Material topics | Reporting on management approach and corresponding disclosures | SNFI page | Omissions | External assurance | Relationship with SDGs |
| A. Topics of the GRI Standards | | | | | |
| GRI 201 Economic performance 2016 | Management approach (103-1, 103-2 and 103-3) | 70 | | √ | 2, 5, 7, 8, 9, 13 |
| | 201-1 | 71, 308 | | √ | |
| | 201-2 | 60 | | √ | |
| | 201-3 | 92 | | √ | |
| | 201-4 | 71, 310 The Iberdrola group is not aware of government participation in the shareholding structure. | | √ | |
| GRI 202 Market presence 2016 | Management approach (103-1, 103-2 and 103-3) | 85 | | √ | 1, 5, 8 |
| | 202-1 | 88 | | √ | |
| | 202-2 | 87 | | √ | |
| GRI 203 Indirect economic impacts 2016 | Management approach (103-1, 103-2 and 103-3) | 72 | | √ | 1, 2, 3, 5, 7, 8, 9, 10, 11, 17 |
| | 203-1 | 73 | | √ | |
| | 203-2 | 72 | | √ | |
| GRI 204 Procurement practices 2016 | Management approach (103-1, 103-2 and 103-3) | 222 | | √ | 12 |
| | 204-1 | 221 | | √ | |
| GRI 205 Anti-corruption 2016 | Management approach (103-1, 103-2 and 103-3) | 246 | | √ | 16 |
| | 205-1 | 247 | | √ | |
| | 205-2 | 253 | | √ | |
| | 205-3 | 256 | | √ | |
| GRI 206 Anti-competitive behavior 2016 | Management approach (103-1, 103-2 and 103-3) | 259 | | √ | 16 |
| | 206-1 | 260 | | √ | |

| B. Specific topics of the electric utilities sector supplement | | | | | |
|---|--|----------|--|---|------------------|
| Availability and reliability | Management approach (103-1, 103-2 and 103-3) | 76 | | √ | 7 |
| | EU10 | 76 | | √ | |
| System efficiency | Management approach (103-1, 103-2 and 103-3) | 130 | | √ | 7, 8, 12, 13, 14 |
| | EU11 | 130, 314 | | √ | |
| | EU12 | 130 | | √ | |
| Demand-side management | Management approach (103-1, 103-2 and 103-3) | 75 | | √ | |
| Research and development | Management approach (103-1, 103-2 and 103-3) | 177 | | √ | |
| Nuclear plant decommissioning | Management approach (103-1, 103-2 and 103-3) | 82 | | √ | |
| C. Specific topics of the Iberdrola group | | | | | |
| Supply costs | | 79 | | √ | |
| Green financing | | 73, 387 | | √ | |
| Fiscal responsibility | | 257 | | √ | |
| Cybersecurity | | 268 | | √ | |
| Privacy of the personal information of Stakeholders | | 268 | | √ | |

| GRI 300 ENVIRONMENTAL DIMENSION | | | | | |
|---------------------------------------|--|--|-----------|--------------------|------------------------|
| Material topics | Reporting on management approach and corresponding disclosures | SNFI page | Omissions | External assurance | Relationship with SDGs |
| A. Topics of the GRI Standards | | | | | |
| GRI 301 Materials * 2016 | Management approach (103-1, 103-2 and 103-3) | 125 | | √ | 8, 12 |
| | 301-1 | 125 | | √ | |
| | 301-2 | 125 | | √ | |
| | 301-3 | Iberdrola's main activity is the sale of electricity and gas, a product that cannot be reused and that does not generate packaging waste in the final use thereof. | | √ | |
| GRI 302 Energy 2016 | Management approach (103-1, 103-2 and 103-3) | 126 | | √ | 7, 8, 12, 13 |
| | 302-1 | 127, 128, 313 | | √ | |
| | 302-2 | 131 | | √ | |
| | 302-3 | 126 | | √ | |
| | 302-4 | 129 | | √ | |
| | 302-5 | 129 | | √ | |
| GRI 303 Water * 2016 | Management approach (103-1, 103-2 and 103-3) | 143 | | √ | 6, 8, 12 |
| | 303-1 | 143, 314 | | √ | |
| | 303-2 | 144 | | √ | |
| | 303-3 | 145 | | √ | |
| GRI 304 Biodiversity * 2016 | Management approach (103-1, 103-2 and 103-3) | 150 | | √ | 6, 14, 15 |
| | 304-1 | 155 | | √ | |
| | 304-2 | 152 | | √ | |
| | 304-3 | 157 | | √ | |
| | 304-4 | 157, 315 | | √ | |
| | EU13 | 153 | | √ | |

| | | | | | |
|--|--|--|--|---|----------------------|
| GRI 305 Emissions * 2016 | Management approach (103-1, 103-2 and 103-3) | 132 | | √ | 3, 12, 13, 14, 15 |
| | 305-1 | 137, 316 | | √ | |
| | 305-2 | 138, 316 | | √ | |
| | 305-3 | 139 | | √ | |
| | 305-4 | 135 | | √ | |
| | 305-5 | 139 | | √ | |
| | 305-6 | 142 | | √ | |
| | 305-7 | 141, 317 | | √ | |
| GRI 306 Effluents and waste * 2016 | Management approach (103-1, 103-2 and 103-3) | 145, 147 | | √ | 3, 6, 12, 13, 14, 15 |
| | 306-1 | 146 | | √ | |
| | 306-2 | 147, 319 | | √ | |
| | 306-3 | 162 | | √ | |
| | 306-4 | 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. | | √ | |
| | 306-5 | 147 | | √ | |
| GRI 307 Environmental compliance 2016 | Management approach (103-1, 103-2 and 103-3) | 163 | | √ | 12, 13, 14, 15, 16 |
| | 307-1 | 163 | | √ | |
| GRI 308 Supplier environmental assessment 2016 | Management approach (103-1, 103-2 and 103-3) | 224 | | √ | |
| | 308-1 | 224 | | √ | |
| | 308-2 | 224 | | √ | |

| GRI 400 SOCIAL DIMENSION | | | | | |
|--|--|---------------------------------|-----------|--------------------|------------------------|
| Material topics | Reporting on management approach and corresponding disclosures | SNFI page | Omissions | External assurance | Relationship with SDGs |
| A. Topics of the GRI Standards | | | | | |
| GRI 401 Employment * 2016 | Management approach (103-1, 103-2 and 103-3) | 83 | | √ | 5, 8 |
| | 401-1 | 85 | | √ | |
| | 401-2 | 92, 341 | | √ | |
| | 401-3 | 113, 342 | | √ | |
| GRI 402 Labour/management relations* 2016 | Management approach (103-1, 103-2 and 103-3) | 83 | | √ | 8 |
| | 402-1 | 92 | | √ | |
| | EU15 | 93, 343 | | √ | |
| | EU17 | 85 | | √ | |
| | EU18 | 97 | | √ | |
| GRI 403 Occupational health and safety * 2016 | Management approach (103-1, 103-2 and 103-3) | 96 | | √ | 3, 8 |
| | 403-1 | 99, 345 | | √ | |
| | 403-2 | 101, 346 | | √ | |
| | 403-3 | 102 | | √ | |
| | 403-4 | 99 | | √ | |
| GRI 404 Training and education 2016 | Management approach (103-1, 103-2 and 103-3) | 103 | | √ | 4, 5, 8 |
| | 404-1 | 106, 351, 353 | | √ | |
| | 404-2 | 104 | | √ | |
| | 404-3 | 107, 355 | | √ | |
| GRI 405 Diversity and equal opportunity 2016 | Management approach (103-1, 103-2 and 103-3) | 108 | | √ | 5, 8, 10 |
| | 405-1 | 28, 84, 356, 358, 360, 361, 362 | | √ | |
| | 405-2 | 112 | | √ | |
| GRI 406 Non-discrimination 2016 | Management approach (103-1, 103-2 and 103-3) | 192 | | √ | 5, 8, 16 |
| | 406-1 | 192 | | √ | |
| GRI 407 Freedom of association and collective bargaining* 2016 | Management approach (103-1, 103-2 and 103-3) | 188 | | √ | 8 |
| | 407-1 | 189, 225 | | √ | |

| | | | | | |
|---|--|----------|--|---|----------|
| GRI 408 Child labour 2016 | Management approach (103-1, 103-2 and 103-3) | 188 | | √ | 8, 16 |
| | 408-1 | 189, 225 | | √ | |
| GRI 409 Forced or compulsory labour 2016 | Management approach (103-1, 103-2 and 103-3) | 188 | | √ | 8 |
| | 409-1 | 189, 225 | | √ | |
| GRI 410 Security practices 2016 | Management approach (103-1, 103-2 and 103-3) | 195 | | √ | 16 |
| | 410-1 | 195 | | √ | |
| GRI 411 Rights of indigenous peoples 2016 | Management approach (103-1, 103-2 and 103-3) | 193 | | √ | 2 |
| | 411-1 | 193 | | √ | |
| GRI 412 Human rights assessment 2016 | Management approach (103-1, 103-2 and 103-3) | 188 | | √ | |
| | 412-1 | 189 | | √ | |
| | 412-2 | 196 | | √ | |
| | 412-3 | 196 | | √ | |
| GRI 413 Local communities * 2016 | Management approach (103-1, 103-2 and 103-3) | 197 | | √ | 1, 2 |
| | 413-1 | 198 | | √ | |
| | 413-2 | 198 | | √ | |
| | EU22 | 200 | | √ | |
| GRI 414 Supplier social assessment 2016 | Management approach (103-1, 103-2 and 103-3) | 225 | | √ | 5, 8, 16 |
| | 414-1 | 225, 362 | | √ | |
| | 414-2 | 225, 362 | | √ | |
| GRI 415 Public policy 2016 | Management approach (103-1, 103-2 and 103-3) | 261 | | √ | 16 |
| | 415-1 | 267 | | √ | |
| GRI 416 Customer health and safety *2016 | Management approach (103-1, 103-2 and 103-3) | 171 | | √ | 16 |
| | 416-1 | 172 | | √ | |
| | 416-2 | 172 | | √ | |
| | EU25 | 172 | | √ | |
| GRI 417 Marketing and labelling 2016 | Management approach (103-1, 103-2 and 103-3) | 169, 170 | | √ | 12, 16 |
| | 417-1 | 170 | | √ | |
| | 417-2 | 171 | | √ | |
| | 417-3 | 170 | | √ | |

| | | | | | |
|---|--|---------|--|---|-----|
| GRI 418 Customer privacy 2016 | Management approach (103-1, 103-2 and 103-3) | 268 | | √ | 16 |
| | 418-1 | 269 | | √ | |
| GRI 419 Socioeconomic compliance 2016 | Management approach (103-1, 103-2 and 103-3) | 269 | | √ | 16 |
| | 419-1 | 270 | | √ | |
| B. Specific topics of the electric utilities sector supplement | | | | | |
| Disaster/emergency planning and response | Management approach (103-1, 103-2 and 103-3) | 161 | | √ | |
| Access to electricity | Management approach (103-1, 103-2 and 103-3) | 184 | | √ | 1,7 |
| | EU26 | 184 | | √ | |
| | EU27 | 187,363 | | √ | |
| | EU28 | 168 | | √ | |
| | EU29 | 169 | | √ | |
| | EU30 | 79,320 | | √ | |
| Access to adequate information | Management approach (103-1, 103-2 and 103-3) | 174 | | √ | |
| C. Specific topics of the Iberdrola group | | | | | |
| Iberdrola and the Global Compact | | 217 | | √ | |
| Contribution to society (LBG) | | 201 | | √ | |
| Iberdrola, promoting women's sport | | 115 | | √ | |

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 Standards Indicators | Related SDGs |
|--------------|--|---|---|
| Human Rights | Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights. | 410-1 to 412-1, 412-2, 413-1, 413-2 |  |
| | Principle 2. Businesses should make sure they are not complicit in human rights abuses | 412-3, 414-1, 414-2 | |
| Labour Rules | Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. | 102-41, 407-1, 402-1 |  |
| | Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour. | 409-1 | |
| | Principle 5. Businesses should uphold the effective abolition of child labour. | 408-1 | |
| | Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation. | 102-8 202-1, 202-2 401-1, 401-3, 404-1, 404-3, 405-2, 406-1 | |

| Issue | Global Compact Principles | Most relevant GRI Standards Indicators | Related SDGs |
|----------------|---|--|--|
| Environment | Principle 7. Businesses should support a precautionary approach to environmental challenges. | 201-2, 301-1, 302-1, 303-1, 305-1 to 305-3, 305-6, 305-7 |   |
| | Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility. | 301-1 to 308-2 |   |
| | Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies. | 302-4, 302-5, 305-5 |        |
| Anticorrupción | Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery. | 102-16, 102-17, 205-1 to 205-3, 415-1 |     |

Independent External Assurance

102-56

Iberdrola obtains independent external assurance of its annual information, the annual accounts and management reports (individual and consolidated with those of its subsidiaries) by KPMG Auditores, S.L. and the *Statement of Non-Financial Information. Sustainability Report* by PricewaterhouseCoopers Asesores de Negocio, S.L. Annex 4 hereto includes the external independent assurance report on this document.

IV. Annexes

- Annex 1: Information Supplementary to the Sustainability Report
- Annex 2: Iberdrola's Contribution to the SDGs and targets of the 2030 Agenda
- Annex 3: Report on Green Financing Returns
 - External independent assurance report on green financing
- Annex 4: External Independent Assurance Report on the Sustainability Report

Annex 1: Information Supplementary to the Sustainability Report 2018

- Key figures
- Economic dimension
- Environmental dimension
- Social dimension

Key figures¹¹⁶

| Installed capacity by region and energy source (MW) EU1 | | | | |
|---|-------------------------|---------------|---------------|---------------|
| | | 2018 | 2017 | 2016 |
| Spain | Renewables | 15,789 | 15,821 | 15,819 |
| | <i>Onshore wind</i> | 5,770 | 5,752 | 5,752 |
| | <i>Offshore wind</i> | 0 | 0 | 0 |
| | <i>Hydroelectric</i> | 9,715 | 9,715 | 9,715 |
| | <i>Mini-hydro</i> | 303 | 303 | 302 |
| | <i>Solar and others</i> | 0 | 50 | 50 |
| | Nuclear | 3,177 | 3,177 | 3,410 |
| | Combined cycle | 5,695 | 5,695 | 5,695 |
| | Cogeneration | 353 | 368 | 364 |
| | Coal | 874 | 874 | 874 |
| | Total | 25,887 | 25,934 | 26,161 |
| United Kingdom | Renewables | 2,100 | 2,666 | 2,572 |
| | <i>Onshore wind</i> | 1,906 | 1,906 | 1,812 |
| | <i>Offshore wind</i> | 194 | 194 | 194 |
| | <i>Hydroelectric</i> | 0 | 566 | 566 |
| | <i>Mini-hydro</i> | 0 | 0 | 0 |
| | <i>Solar and others</i> | 0 | 0 | 0 |
| | Nuclear | 0 | 0 | 0 |
| | Combined cycle | 0 | 2,000 | 2,000 |
| | Cogeneration | 0 | 1 | 1 |
| | Coal | 0 | 0 | 0 |
| Total | 2,100 | 4,667 | 4,573 | |
| United States | Renewables | 6,713 | 6,625 | 6,035 |
| | <i>Onshore wind</i> | 6,466 | 6,387 | 5,853 |
| | <i>Offshore wind</i> | 0 | 0 | 0 |
| | <i>Hydroelectric</i> | 118 | 118 | 118 |
| | <i>Mini-hydro</i> | 0 | 0 | 0 |
| | <i>Solar and others</i> | 129 | 119 | 63 |
| | Nuclear | 0 | 0 | 0 |
| | Combined cycle | 212 | 212 | 209 |
| | Cogeneration | 636 | 636 | 636 |
| | Coal | 0 | 0 | 0 |
| | Total | 7,561 | 7,472 | 6,880 |
| Brazil | Renewables | 2,935 | 2,629 | 2,399 |
| | <i>Onshore wind</i> | 516 | 516 | 421 |
| | <i>Offshore wind</i> | 0 | 0 | 0 |
| | <i>Hydroelectric</i> | 2,419 | 2,113 | 1,978 |
| | <i>Mini-hydro</i> | 0 | 0 | 0 |
| | <i>Solar and others</i> | 0 | 0 | 0 |

116 Operating figures include figures corresponding to partially owned and uncontrolled companies, applying the percentage interest.

| Installed capacity by region and energy source (MW) EUI | | | | |
|---|-------------------------|---------------|---------------|---------------|
| | | 2018 | 2017 | 2016 |
| | Nuclear | 0 | 0 | 0 |
| | Combined cycle | 533 | 533 | 533 |
| | Cogeneration | 0 | 0 | 77 |
| | Coal | 0 | 0 | 0 |
| | Total | 3,467 | 3,162 | 3,009 |
| Mexico | Renewables | 679 | 410 | 367 |
| | <i>Onshore wind</i> | 409 | 367 | 367 |
| | <i>Offshore wind</i> | 0 | 0 | 0 |
| | <i>Hydroelectric</i> | 0 | 0 | 0 |
| | <i>Mini-hydro</i> | 0 | 0 | 0 |
| | <i>Solar and others</i> | 270 | 43 | 0 |
| | Nuclear | 0 | 0 | 0 |
| | Combined cycle | 6,446 | 5,546 | 5,200 |
| | Cogeneration | 346 | 294 | 237 |
| | Coal | 0 | 0 | 0 |
| Total | 7,471 | 6,250 | 5,804 | |
| Rest of countries | Renewables | 961 | 961 | 621 |
| | <i>Onshore wind</i> | 605 | 605 | 615 |
| | <i>Offshore wind</i> | 350 | 350 | 0 |
| | <i>Hydroelectric</i> | 0 | 0 | 0 |
| | <i>Mini-hydro</i> | 0 | 0 | 0 |
| | <i>Solar and others</i> | 6 | 6 | 6 |
| | Nuclear | 0 | 0 | 0 |
| | Combined cycle | 0 | 0 | 0 |
| | Cogeneration | 0 | 0 | 0 |
| | Coal | 0 | 0 | 0 |
| Total | 961 | 961 | 621 | |
| Iberdrola total | Renewables | 29,177 | 29,112 | 27,813 |
| | <i>Onshore wind</i> | 15,671 | 15,533 | 14,820 |
| | <i>Offshore wind</i> | 544 | 544 | 194 |
| | <i>Hydroelectric</i> | 12,252 | 12,513 | 12,378 |
| | <i>Mini-hydro</i> | 303 | 303 | 302 |
| | <i>Solar and others</i> | 406 | 219 | 120 |
| | Nuclear | 3,177 | 3,177 | 3,410 |
| | Combined cycle | 12,885 | 13,985 | 13,637 |
| | Cogeneration | 1,335 | 1,299 | 1,315 |
| | Coal | 874 | 874 | 874 |
| | Total | 47,448 | 48,447 | 47,049 |

Net energy output, by region and source of energy (GWh) EU2

| | | 2018 | 2017 | 2016 |
|----------------|-------------------------|---------------|---------------|---------------|
| Spain | Renewables | 25,973 | 19,587 | 30,319 |
| | <i>Onshore wind</i> | 11,654 | 11,216 | 11,236 |
| | <i>Offshore wind</i> | N/A | N/A | N/A |
| | <i>Hydroelectric</i> | 13,590 | 7,903 | 18,325 |
| | <i>Mini-hydro</i> | 670 | 394 | 686 |
| | <i>Solar and others</i> | 58 | 74 | 71 |
| | Nuclear | 23,536 | 23,254 | 24,381 |
| | Combined cycle | 4,092 | 3,812 | 3,709 |
| | Cogeneration | 2,472 | 2,608 | 2,290 |
| | Coal | 1,637 | 2,642 | 2,084 |
| | Total | 57,711 | 51,903 | 62,783 |
| United Kingdom | Renewables | 5,145 | 4,880 | 3,688 |
| | <i>Onshore wind</i> | 3,812 | 3,358 | 2,370 |
| | <i>Offshore wind</i> | 755 | 820 | 728 |
| | <i>Hydroelectric</i> | 578 | 702 | 590 |
| | <i>Mini-hydro</i> | N/A | N/A | N/A |
| | <i>Solar and others</i> | N/A | N/A | N/A |
| | Nuclear | N/A | N/A | N/A |
| | Combined cycle | 5,530 | 7,260 | 8,341 |
| | Cogeneration | N/A | 0 | N/A |
| | Coal | N/A | N/A | N/A |
| | Total | 10,675 | 12,140 | 13,748 |
| United States | Renewables | 17,261 | 15,738 | 15,320 |
| | <i>Onshore wind</i> | 16,650 | 15,103 | 14,803 |
| | <i>Offshore wind</i> | N/A | N/A | N/A |
| | <i>Hydroelectric</i> | 269 | 386 | 327 |
| | <i>Mini-hydro</i> | N/A | N/A | N/A |
| | <i>Solar and others</i> | 342 | 250 | 190 |
| | Nuclear | N/A | N/A | N/A |
| | Combined cycle | 8 | 12 | 14 |
| | Cogeneration | 2,713 | 2,354 | 2,557 |
| | Coal | N/A | N/A | N/A |
| | Total | 19,983 | 18,105 | 17,891 |
| Brazil | Renewables | 10,099 | 8,195 | 4,559 |
| | <i>Onshore wind</i> | 2,120 | 1,865 | 1,204 |
| | <i>Offshore wind</i> | N/A | N/A | N/A |
| | <i>Hydroelectric</i> | 7,979 | 6,330 | 3,355 |
| | <i>Mini-hydro</i> | N/A | N/A | N/A |
| | <i>Solar and others</i> | N/A | N/A | N/A |
| | Nuclear | N/A | N/A | N/A |
| | Combined cycle | 3,553 | 3,956 | 4,033 |

Net energy output, by region and source of energy (GWh) EU2

| | | 2018 | 2017 | 2016 |
|-------------------|-------------------------|----------------|----------------|----------------|
| | Cogeneration | 0 | 91 | 446 |
| | Coal | N/A | N/A | N/A |
| | Total | 13,652 | 12,242 | 9,038 |
| Mexico | Renewables | 1,095 | 963 | 1,119 |
| | <i>Onshore wind</i> | 1,084 | 963 | 1,119 |
| | <i>Offshore wind</i> | N/A | N/A | N/A |
| | <i>Hydroelectric</i> | N/A | N/A | N/A |
| | <i>Mini-hydro</i> | N/A | N/A | N/A |
| | <i>Solar and others</i> | 12 | 0 | N/A |
| | Nuclear | N/A | N/A | N/A |
| | Combined cycle | 37,470 | 39,013 | 34,795 |
| | Cogeneration | 2,831 | 1,801 | 1,654 |
| | Coal | N/A | N/A | N/A |
| | Total | 41,396 | 41,777 | 37,569 |
| Rest of countries | Renewables | 2,180 | 1,382 | 1,437 |
| | <i>Onshore wind</i> | 1,284 | 1,373 | 1,429 |
| | <i>Offshore wind</i> | 887 | 0 | N/A |
| | <i>Hydroelectric</i> | N/A | N/A | N/A |
| | <i>Mini-hydro</i> | N/A | N/A | N/A |
| | <i>Solar and others</i> | 9 | 9 | 9 |
| | Nuclear | N/A | N/A | N/A |
| | Combined cycle | N/A | N/A | N/A |
| | Cogeneration | N/A | N/A | N/A |
| | Coal | N/A | N/A | N/A |
| | Total | 2,180 | 1,382 | 1,437 |
| Iberdrola total | Renewables | 61,754 | 50,747 | 56,443 |
| | <i>Onshore wind</i> | 36,605 | 33,878 | 32,162 |
| | <i>Offshore wind</i> | 1,642 | 821 | 728 |
| | <i>Hydroelectric</i> | 22,416 | 15,321 | 22,597 |
| | <i>Mini-hydro</i> | 670 | 394 | 686 |
| | <i>Solar and others</i> | 421 | 333 | 270 |
| | Nuclear | 23,536 | 23,254 | 24,381 |
| | Combined cycle | 50,654 | 54,053 | 50,892 |
| | Cogeneration | 8,016 | 6,853 | 6,947 |
| | Coal | 1,637 | 2,642 | 3,803 |
| | Total | 145,597 | 137,549 | 142,466 |

EU3

| Electricity users (%) | | 2018 | 2017 | 2016 |
|-----------------------|--|---------------|---------------|---------------|
| Spain | Residential | 93.0 | 92.8 | 92.8 |
| | Industrial | 1.5 | 1.7 | 1.6 |
| | Institutional | 1.1 | 1.1 | 1.1 |
| | Commercial | 4.4 | 4.4 | 4.5 |
| | Other | 0.0 | 0.0 | 0.0 |
| | Total users (millions) | 10.4 | 10.3 | 10.3 |
| | Users that are producers of electricity (no.) | 0 | 0 | 4.832 |
| United Kingdom | Residential | 93.8 | 93.9 | 93.9 |
| | Industrial | 2.0 | 2.1 | 2.1 |
| | Institutional | 0.1 | 0.1 | 0.1 |
| | Commercial | 4.1 | 3.9 | 3.9 |
| | Other | 0.0 | 0.0 | 0.0 |
| | Total users (millions) | 3.0 | 3.1 | 3.2 |
| | Users that are producers of electricity (no.) | 67,913 | 66,264 | 64,936 |
| United States | Residential | 88.2 | 88.2 | 87.7 |
| | Industrial | 0.3 | 0.3 | 0.3 |
| | Institutional | 0.0 | 0.0 | 0.0 |
| | Commercial | 10.6 | 10.6 | 11.8 |
| | Other | 0.9 | 0.9 | 0.2 |
| | Total users (millions) | 2.3 | 2.2 | 1.6 |
| | Users that are producers of electricity (no.) | 12,268 | 3,776 | 13,581 |
| Brazil | Residential | 87.6 | 87.4 | 87.5 |
| | Industrial | 0.3 | 0.3 | 0.3 |
| | Institutional | 1.2 | 1.2 | 1.0 |
| | Commercial | 6.6 | 6.6 | 6.7 |
| | Other | 4.3 | 4.5 | 4.5 |
| | Total users (millions) | 13.8 | 13.6 | 13.4 |
| | Users that are producers of electricity (no.) | 6,900 | 2,033 | 277 |
| Rest of countries | Residential | 0 | 0 | 0 |
| | Industrial | 0 | 0 | 0 |
| | Institutional | 0 | 0 | 0 |
| | Commercial | 0 | 0 | 0 |
| | Other | 0 | 0 | 0 |
| | Total users (millions) | 0 | 0 | 0 |
| | Users that are producers of electricity (no.) | 0 | 0 | 0 |
| Iberdrola total | Residential | 90.2 | 90.1 | 90.2 |
| | Industrial | 0.9 | 1.0 | 1.0 |
| | Institutional | 0.9 | 1.0 | 0.9 |
| | Commercial | 5.9 | 5.8 | 5.8 |
| | Other | 2.1 | 2.1 | 2.1 |
| | Total users (millions) | 29.5 | 29.2 | 28.5 |
| | Users that are producers of electricity (no.) | 87,081 | 72,073 | 83,626 |

Power lines (Km) EU4

| | | Transmission | | | Distribution | | |
|------------------------|--------------------|---------------|---------------|---------------|------------------|------------------|------------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | Areas | 0 | 0 | 0 | 161,754 | 155,589 | 155,317 |
| | Underground | 0 | 0 | 0 | 107,885 | 112,981 | 112,259 |
| | Total | 0 | 0 | 0 | 269,639 | 268,570 | 267,576 |
| United Kingdom | Areas | 3,752 | 3,636 | 3,637 | 38,599 | 38,679 | 38,718 |
| | Underground | 642 | 404 | 352 | 66,964 | 66,541 | 66,111 |
| | Total | 4,394 | 4,040 | 3,989 | 105,563 | 105,220 | 104,829 |
| United States | Areas | 13,334 | 30,620 | 30,835 | 139,962 | 122,884 | 102,431 |
| | Underground | 602 | 1,557 | 604 | 16,185 | 14,899 | 14,463 |
| | Total | 13,936 | 32,177 | 31,439 | 156,147 | 137,783 | 116,894 |
| Brazil | Areas | 679 | 13,832 | 13,560 | 622,625 | 594,322 | 578,674 |
| | Underground | 0 | 38 | 31 | 689 | 629 | 452 |
| | Total | 679 | 13,870 | 13,591 | 623,314 | 594,951 | 579,126 |
| Rest of countries | Areas | 0 | 0 | 0 | 0 | 0 | 0 |
| | Underground | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 | 0 | 0 | 0 |
| Iberdrola total | Areas | 17,765 | 48,088 | 48,032 | 962,940 | 911,474 | 875,140 |
| | Underground | 1,244 | 1,999 | 987 | 191,723 | 195,050 | 193,285 |
| | Total | 19,009 | 50,087 | 49,019 | 1,154,663 | 1,106,524 | 1,068,425 |

Locations of operation of the Iberdrola group

102-7

The group of companies that belong to the Iberdrola group carry out various activities in a large number of countries, and more than 1,200 sites or facilities have been identified.

For purposes of reporting under the GRI Sustainability Reporting Standards, in order to deal with such a large number of facilities, only those considered to be principal locations of operation have been included, by business and by country, adopting as a basic standard the number of persons performing their activities at a facility, and based thereon:

- In the countries deemed to be at low risk for the violation of human rights, the most important facilities are identified as principal locations of operation, assuming that the personnel at the smaller facilities are part of a functional or hierarchical reporting structure that assures their rights through the tools and procedures established at the organisation.
- In countries with a higher risk the standard is more restrictive: if there are several facilities of different sizes dedicated to similar activities, the largest facilities are included as principal locations of operation, with the smaller ones deemed to be dependent centres with the same basic guarantees; if the number of facilities is low or it is deemed that the risk is higher, such facilities are included as principal locations of operation, regardless of the number of persons working therein.

According to these standards, the principal locations of operation identified in 2018, by business and by country, are reflected in the following tables:

Significant locations of operation 2018 by business

| | |
|-------------------------------|------------|
| Corporate | 17 |
| Wholesale and Retail Business | 39 |
| Networks Business | 56 |
| Renewables Business | 38 |
| Iberdrola total | 150 |

Significant locations of operation 2018 by country

| | |
|------------------------|------------|
| Spain | 33 |
| United Kingdom | 31 |
| United States | 28 |
| Brazil | 40 |
| Mexico | 17 |
| Rest of countries | 1 |
| Iberdrola total | 150 |

Based on this data, the company has performed a study to identify the significant locations of operation at which there might be some risk of violation of human rights, which is described in detail in the Protection of Human Rights section of Chapter II.5 of this report.

Economic dimension

| Sales ¹¹⁷ (net amount in € millions) | 2018 | 2017 | 2016 |
|---|---------------|---------------|---------------|
| Spain | 14,282 | 13,733 | 13,501 |
| United Kingdom | 6,176 | 5,908 | 6,524 |
| United States | 5,325 | 5,016 | 4,948 |
| Brazil | 2,346 | 2,407 | 1,566 |
| Mexico | 5,717 | 3,430 | 1,569 |
| Rest of countries | 1,229 | 768 | 651 |
| Iberdrola consolidated total | 35,075 | 31,262 | 28,759 |

| Operating costs (€ millions) | 2018 | 2017 | 2016 |
|-------------------------------------|---------------|---------------|---------------|
| Spain | 9,510 | 8,412 | 8,472 |
| United Kingdom | 4,022 | 4,080 | 4,621 |
| United States | 2,534 | 2,545 | 2,474 |
| Brazil | 4,389 | 2,682 | 1,268 |
| Mexico | 1,790 | 1,999 | 1,120 |
| Rest of countries | 206 | 728 | 669 |
| Iberdrola consolidated total | 22,433 | 20,446 | 18,624 |

¹¹⁷ Sales in accordance with the grouping for the segmentation of management.

201-1

Economic value generated, distributed and retained¹¹⁸ (€ millions)

| | | 2018 | 2017 | 2016 |
|----------------|---|--------|--------|--------|
| Spain | Revenue (sales and other income) | 15,310 | 13,564 | 14,280 |
| | Operating costs | 9,510 | 8,412 | 8,457 |
| | Employee remuneration (excluding company social security costs) | 806 | 912 | 847 |
| | Payments to providers of capital | 861 | 1,365 | 1,784 |
| | Payments to government administrations | 1,170 | 1,496 | 1,581 |
| | Community investments (verified according to the LBG Model) | 16 | 20 | 15 |
| | Economic value retained | 2,347 | 1,359 | 1,596 |
| United Kingdom | Revenue (sales and other income) | 6,351 | 6,077 | 6,776 |
| | Operating costs | 4,022 | 4,080 | 4,607 |
| | Employee remuneration (excluding company social security costs) | 427 | 468 | 466 |
| | Payments to providers of capital | 198 | 197 | 231 |
| | Payments to government administrations | 377 | 353 | 380 |
| | Community investments (verified according to the LBG Model) | 15 | 14 | 14 |
| | Economic value retained | 1,312 | 965 | 1,078 |
| United States | Revenue (sales and other income) | 5,381 | 5,337 | 5,430 |
| | Operating costs | 2,534 | 2,545 | 2,470 |
| | Employee remuneration (excluding company social security costs) | 812 | 879 | 806 |
| | Payments to providers of capital | 349 | 501 | 315 |
| | Payments to government administrations | 627 | 583 | 596 |
| | Community investments (verified according to the LBG Model) | 4 | 6 | 4 |
| | Economic value retained | 1,055 | 823 | 1,239 |
| Brazil | Revenue (sales and other income) | 6,003 | 3,628 | 1,717 |
| | Operating costs | 4,389 | 2,682 | 1,266 |
| | Employee remuneration (excluding company social security costs) | 291 | 201 | 94 |
| | Payments to providers of capital | 584 | 283 | 119 |
| | Payments to government administrations | 164 | 160 | 51 |
| | Community investments (verified according to the LBG Model) | 18 | 22 | 2 |
| | Economic value retained | 587 | 280 | 185 |
| Mexico | Revenue (sales and other income) | 2,709 | 2,770 | 1,769 |
| | Operating costs | 1,790 | 1,999 | 1,119 |
| | Employee remuneration (excluding company social security costs) | 36 | 39 | 32 |
| | Payments to providers of capital | 268 | 217 | 189 |
| | Payments to government administrations | 136 | 100 | 108 |
| | Community investments (verified according to the LBG Model) | 1 | 1 | 1 |
| | Economic value retained | 478 | 414 | 320 |

¹¹⁸ The grouping by country corresponds to the registered office of each company and does not necessarily coincide with the segmentation of the information for management.

| Economic value generated, distributed and retained¹¹⁸ (€ millions) | | | | |
|--|--|---------------|-----------------------------|---------------|
| | | 2018 | 2017 | 2016 |
| Rest of countries | Revenue (sales and other income) | 519 | 1,338 | 734 |
| | Operating costs | 206 | 728 | 669 |
| | Employee remuneration (excluding company social security costs) | 15 | 18 | 15 |
| | Payments to providers of capital | 142 | 353 | 54 |
| | Payments to government administrations | 22 | 31 | 24 |
| | Community investments (verified according to the LBG Model) | 0 | 0 | 0 |
| | Economic value retained | 134 | 209 | (28) |
| Iberdrola total | Revenue (sales and other income) | 36,273 | 32,714¹¹⁹ | 30,706 |
| | Operating costs | 22,433 | 20,446 | 18,588 |
| | Employee remuneration (excluding company social security costs) | 2,387 | 2,517 | 2,260 |
| | Payments to providers of capital | 2,402 | 2,916 | 2,692 |
| | Payments to government administrations | 3,096 | 2,723 | 2,740 |
| | Community investments (verified according to the LBG Model) | 54 | 63 | 36 |
| | Economic value retained | 5,901 | 4,049 | 4,390 |

¹¹⁸ The grouping by country corresponds to the registered office of each company and does not necessarily coincide with the segmentation of the information for management.

¹¹⁹ Includes Sales in the amount of €31,263 million and Other revenue €1,451 million.

201-4

| Financial assistance received (€ millions) | | 2018 | 2017 | 2016 |
|--|--|------------|------------|------------|
| Spain | Capital subsidies | 2 | 10 | 13 |
| | Operating subsidies | 3 | 6 | 3 |
| | Investment tax credits | 0 | 0 | 0 |
| | Production tax credits | 0 | 0 | 0 |
| | Assistance for other items included in the GRI Protocol | 0 | 0 | 0 |
| | Total | 5 | 16 | 13 |
| United Kingdom | Capital subsidies | 0 | 0 | 0 |
| | Operating subsidies | 0 | 0 | 0 |
| | Investment tax credits | 0 | 0 | 0 |
| | Production tax credits | 0 | 0 | 0 |
| | Assistance for other items included in the GRI Protocol | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 |
| United States | Capital subsidies | 4 | 0 | 0 |
| | Operating subsidies | 0 | 0 | 0 |
| | Investment tax credits | 8 | 30 | 0 |
| | Production tax credits | 91 | 90 | 87 |
| | Assistance for other items included in the GRI Protocol | 0 | 0 | 0 |
| | Total | 103 | 120 | 0 |
| Brazil | Capital subsidies | 0 | 0 | 0 |
| | Operating subsidies | 0 | 0 | 0 |
| | Investment tax credits | 0 | 0 | 0 |
| | Production tax credits | 0 | 0 | 0 |
| | Assistance for other items included in the GRI Protocol | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 |
| Mexico | Capital subsidies | 0 | 0 | 0 |
| | Operating subsidies | 0 | 0 | 0 |
| | Investment tax credits | 0 | 0 | 0 |
| | Production tax credits | 0 | 0 | 0 |
| | Assistance for other items included in the GRI Protocol | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 |
| Rest of countries | Capital subsidies | 0 | 0 | 0 |
| | Operating subsidies | 0 | 0 | 0 |
| | Investment tax credits | 0 | 0 | 0 |
| | Production tax credits | 0 | 0 | 0 |
| | Assistance for other items included in the GRI Protocol | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 |
| Iberdrola total | Capital subsidies | 6 | 10 | 13 |
| | Operating subsidies | 3 | 6 | 3 |
| | Investment tax credits | 8 | 30 | 0 |
| | Production tax credits | 91 | 90 | 87 |
| | Assistance for other items included in the GRI Protocol | 0 | 0 | 0 |
| | Total | 108 | 136 | 103 |

| Pre-tax profit¹²⁰ (millions of euros) | 2018 |
|---|----------------|
| Spain | 1,618.6 |
| United Kingdom | 1,096.9 |
| United States | 622.0 |
| Brazil | 452.9 |
| Mexico | 561.9 |
| Rest of countries | -68.9 |
| Iberdrola consolidated total | 4,283.4 |

¹²⁰ Includes consolidated results from continuing and discontinued activities.

| Tax contribution (€ millions) | | | |
|--|--------------|--------------|---------------------------|
| | 2018 | 2017 | 2016¹²¹ |
| Company contributions | | | |
| Spain | 1,770 | 1,496 | 1,548 |
| <i>Corporate income tax</i> | 589 | 311 | 449 |
| <i>Other</i> | 1,181 | 1,185 | 1,099 |
| United Kingdom | 377 | 353 | 380 |
| <i>Corporate income tax</i> | 74 | 50 | 108 |
| <i>Other</i> | 303 | 303 | 272 |
| United States | 627 | 583 | 584 |
| <i>Corporate income tax</i> | -13 | 11 | 9 |
| <i>Other</i> | 640 | 572 | 575 |
| Brazil | 164 | 160 | 126 |
| <i>Corporate income tax</i> | 93 | 86 | 25 |
| <i>Other</i> | 71 | 74 | 101 |
| Mexico | 136 | 100 | 106 |
| <i>Corporate income tax</i> | 130 | 95 | 102 |
| <i>Other</i> | 6 | 5 | 4 |
| Rest of countries | 22 | 31 | 24 |
| <i>Corporate income tax</i> | 14 | 22 | 11 |
| <i>Other</i> | 8 | 9 | 13 |
| Total | 3,096 | 2,723 | 2,768 |
| <i>Corporate income tax</i> | 887 | 575 | 704 |
| <i>Other</i> | 2,209 | 2,148 | 2,064 |
| Contributions due to third-party payments | | | |
| Spain | 1,872 | 1,761 | 1,904 |
| United Kingdom | 235 | 168 | 156 |
| United States | 277 | 292 | 275 |
| Brazil | 2,269 | 1,997 | 1,855 |
| Mexico | 23 | 86 | 101 |
| Rest of countries | 167 | 84 | 70 |
| Total | 4,843 | 4,388 | 4,361 |
| Iberdrola consolidated total | | | |
| Spain | 3,642 | 3,257 | 3,452 |
| United Kingdom | 612 | 521 | 536 |
| United States | 904 | 875 | 859 |
| Brazil | 2,433 | 2,157 | 1,981 |
| Mexico | 159 | 186 | 207 |
| Rest of countries | 189 | 115 | 94 |
| Total | 7,939 | 7,111 | 7,129 |

¹²¹ For better comparability of the 2017 and 2016 information, 100% of the taxes paid by Neoenergia in Brazil during 2016 are included.

Environmental dimension

Energy

Energy consumption within the organization

302-1

| Energy consumption within the organisation (GJ) | 2018 | 2017 | 2016 |
|---|--------------------|--------------------|--------------------|
| Spain | 230,023,199 | 236,355,590 | 241,428,586 |
| United Kingdom | 20,179,322 | 30,155,278 | 47,145,185 |
| United States | 10,799,405 | 10,547,765 | 11,251,751 |
| Brazil | 13,005,615 | 11,861,813 | 6,788,139 |
| Mexico | 126,533,470 | 159,609,431 | 135,538,671 |
| Rest of countries | 17,545 | 17,587 | 17,873 |
| Total | 400,558,556 | 440,547,464 | 442,170,204 |

| Energy consumption in buildings (GJ) | 2018 | 2017 | 2016 |
|--------------------------------------|----------------|----------------|----------------|
| Spain | 193,679 | 157,422 | 165,637 |
| United Kingdom | 89,280 | 109,159 | 121,327 |
| United States | 416,507 | 346,431 | 401,236 |
| Brazil | 1,719 | 166,256 | 46,099 |
| Mexico | 8,606 | 554 | 911 |
| Rest of countries ¹²² | 1,309 | 1,146 | 1,218 |
| Total | 711,101 | 780,969 | 736,428 |

¹²² Other countries: Greece, Romania and Hungary.

System efficiency

EU11

| Average efficiency ¹²³ at thermal generating facilities (%) | Spain ¹²⁴ | | | United Kingdom | | | United States | | |
|--|----------------------|-------|-------|----------------|-------|-------|---------------|-------|-------|
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Combined cycle | 49.67 | 49.55 | 48.28 | 52 | 51.10 | 49.93 | N/A | N/A | N/A |
| Conventional thermal | 34.28 | 34.38 | 33.00 | N/A | 0.00 | 33.00 | N/A | N/A | N/A |
| Cogeneration | 63.24 | 63.26 | 62.08 | N/A | 56.00 | 48.00 | 48 | 48.00 | 47.00 |

| Average efficiency ¹²³ at thermal generating facilities (%) | Brazil | | | Mexico | | | Total | | |
|--|--------|------|------|--------|------|------|-------|------|------|
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Combined cycle | 55 | 49 | 49 | 55 | 54 | 53 | 54 | 54 | 52 |
| Conventional thermal | N/A | N/A | N/A | N/A | N/A | N/A | 34 | 34 | 33 |
| Cogeneration | N/A | 0.00 | 69 | 57 | 50 | 58 | 56 | 54 | 56 |

Water

Total water withdrawal by source

303-1

| Water use in thermal generation ¹²⁵ 2018 (hm ³) | Withdrawal | | | Discharge | |
|---|---------------------|--|---------------------------|---|---|
| | Total withdrawal | Withdrawal process and standby services | Withdrawal for cooling | Evaporation of water used for cooling | Discharge into receptor environment |
| Spain | 1,535.22 | 4.56 | 1,530.67 | 55.96 | 1,476 |
| United Kingdom ¹²⁶ | 165.57 | 0.32 | 165.25 | 0.06 | 167 |
| United States | 3.44 | 3.44 | 0.00 | 1.93 | 2 |
| Brazil | 0.52 | 0.02 | 0.51 | 0.00 | 0.00 |
| Mexico | 279.97 | 3.18 | 276.79 | 22.20 | 254 |
| Total¹²⁷ | 1,985 | 12 | 1,973 | 80 | 1,899 |

123 Average of efficiencies weighted by the annual production of each thermal power plant.

124 Does not include the Puertollano thermosolar plant.

125 Withdrawal of water at the thermal generation facilities (coal, combined cycle, nuclear and cogeneration)

126 The cooling systems in the United Kingdom are open circuits or air condensers, and therefore it is estimated that the volume of evaporated water is practically zero, except for steam from cogeneration. The data include the Daldowie thermal drying facility and the Hatfield gas storage facility.

127 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.

| Water consumption at offices and control facilities ¹²⁸ (m ³) | 2018 | 2017 | 2016 |
|--|------------------|----------------|----------------|
| Spain | 55,489 | 94,239 | 84,693 |
| United Kingdom | 4,496 | 63,242 | 93,375 |
| United States | 1,181,165 | 183,256 | 139,385 |
| Brazil | 9,369 | 1,975 | 89,576 |
| Mexico | 2,002 | 36,604 | 1,124 |
| Rest of countries | 2,775 | 5,132 | 901 |
| Total | 1,255,296 | 384,448 | 409,054 |

Biodiversity

Threatened species included in the UICN Red List and national and regional lists

304-4

| IUCN Red List Classification | | | | | | |
|------------------------------|----------------------------|-----------------|-----------------|----------------------|--------------------|------------------|
| | Critically endangered (CR) | Endangered (EN) | Vulnerable (VU) | Near threatened (NT) | Least concern (LC) | Not on UICN List |
| Spain | 3 | 26 | 60 | 5 | 59 | 5 |
| United Kingdom | 0 | 0 | 2 | 5 | 21 | 0 |
| United States - Canada | 3 | 16 | 19 | 22 | 84 | 7 |
| Brazil | 12 | 31 | 89 | 13 | 13 | 19 |
| Mexico | 0 | 0 | 0 | 1 | 4 | 1 |
| Rest of countries | 0 | 1 | 3 | 2 | 66 | 0 |
| Total | 18 | 74 | 173 | 48 | 247 | 32 |

¹²⁸ Includes offices, substations and control buildings at wind farms.

Emissions

Direct greenhouse gas emissions. Scope 1 (per GHG Protocol)

305-1

| CO ₂ emissions (t) | 2018 | 2017 | 2016 |
|-------------------------------|-------------------|-------------------|-------------------|
| Spain | 4,932,724 | 5,945,175 | 5,268,737 |
| Generating plants | 3,469,461 | 4,399,869 | 3,912,787 |
| Cogeneration | 1,463,263 | 1,545,306 | 1,355,950 |
| United Kingdom | 2,174,241 | 2,900,987 | 4,944,407 |
| Generating plants | 2,156,928 | 2,882,992 | 4,927,630 |
| Cogeneration | 17,313 | 17,995 | 16,777 |
| United States | 991,612 | 965,570 | 1,040,335 |
| Generating plants | 0 | 0 | N/A |
| Cogeneration | 991,612 | 965,570 | 1,040,335 |
| Brazil | 1,306,374 | 1,568,890 | 1,739,902 |
| Generating plants | 1,306,374 | 1,471,816 | 1,369,047 |
| Cogeneration | 0 | 97,074 | 370,855 |
| Mexico | 14,929,874 | 15,334,845 | 13,543,565 |
| Generating plants | 13,396,657 | 14,267,041 | 12,598,905 |
| Cogeneration | 1,533,217 | 1,067,804 | 944,660 |
| Total | 24,334,824 | 26,715,466 | 26,536,946 |
| Generating plants | 20,329,419 | 23,021,718 | 22,808,369 |
| Cogeneration | 4,005,405 | 3,693,748 | 3,728,577 |

Indirect greenhouse gas emissions. Scope 2 (per GHG Protocol)

305-2

| Emissions associated with the consumption of energy at offices 2018 | CO ₂ (t) |
|---|---------------------|
| Spain | 10,645 |
| United Kingdom | 6,425 |
| United States | 31,877 |
| Brazil | 34 |
| Mexico | 120 |
| Rest of countries ¹²⁹ | 0 |
| Total | 49,101 |

¹²⁹ Not taken into account to calculate the Carbon Footprint as it entails less than 0.1% of the internal energy consumption of the group.

NO_x, SO_x and other significant air emissions

305-7

| NO _x emissions (t) | 2018 | 2017 | 2016 |
|-------------------------------|---------------|---------------|---------------|
| Spain | 7,149 | 12,490 | 12,172 |
| Generating plants | 2,623 | 4,394 | 5,013 |
| Cogeneration | 4,526 | 8,096 | 7,159 |
| United Kingdom | 1,141 | 989 | 5,363 |
| Generating plants | 1,141 | 989 | 5,363 |
| Cogeneration | 0 | 0 | N/A |
| United States | 629 | 18 | 152 |
| Generating plants | 0 | 0 | N/A |
| Cogeneration | 629 | 18 | 152 |
| Brazil | 221 | 233 | 702 |
| Generating plants | 221 | 233 | 233 |
| Cogeneration | 0 | 0 | 469 |
| Mexico | 3,612 | 2,422 | 2,583 |
| Generating plants | 2,565 | 1,997 | 2,325 |
| Cogeneration | 1,047 | 425 | 258 |
| Total | 12,751 | 16,152 | 20,971 |
| Generating plants | 6,549 | 7,613 | 12,934 |
| Cogeneration | 6,202 | 8,539 | 8,037 |

| Sulphur dioxide (SO ₂) emissions (t) | 2018 | 2017 | 2016 |
|--|--------------|--------------|--------------|
| Spain | 3,058 | 4,936 | 3,277 |
| Generating plants | 2,327 | 3,723 | 2,744 |
| Cogeneration | 731 | 1,213 | 533 |
| United Kingdom | 2 | 2 | 3,384 |
| Generating plants | 2 | 2 | 3,384 |
| Cogeneration | 0 | 0 | N/A |
| United States | 6 | 5 | 6 |
| Generating plants | 0 | 0 | N/A |
| Cogeneration | 6 | 5 | 6 |
| Brazil | 11 | 0 | 23 |
| Generating plants | 11 | 0 | 12 |
| Cogeneration | 0 | 0 | 11 |
| Mexico | 438 | 449 | 398 |
| Generating plants | 393 | 418 | 370 |
| Cogeneration | 45 | 31 | 28 |
| Total | 3,515 | 5,392 | 7,088 |
| Generating plants | 2,733 | 4,143 | 6,510 |
| Cogeneration | 782 | 1,249 | 578 |

| Particulate emissions (t) | 2018 | 2017 | 2016 |
|---------------------------|------------|--------------|--------------|
| Spain | 174 | 375 | 305 |
| Generating plants | 141 | 298 | 259 |
| Cogeneration | 33 | 77 | 46 |
| United Kingdom | 1 | 2 | 88 |
| Generating plants | 1 | 1 | 88 |
| Cogeneration | 0 | 1 | N/A |
| United States | 20 | 19 | 19 |
| Generating plants | 0 | 0 | N/A |
| Cogeneration | 20 | 19 | 19 |
| Brazil | 0 | 0 | 22 |
| Generating plants | 0 | 0 | 0 |
| Cogeneration | 0 | 0 | 22 |
| Mexico | 691 | 876 | 774 |
| Generating plants | 603 | 815 | 720 |
| Cogeneration | 88 | 61 | 54 |
| Total | 886 | 1,272 | 1,208 |
| Generating plants | 745 | 1,114 | 1,067 |
| Cogeneration | 141 | 158 | 141 |

Effluents and waste

Total weight of waste by type and disposal method

306-2

| Hazardous waste generation ¹³⁰ (t) | Spain | | | United Kingdom | | | United States | | |
|---|--------------|--------------|--------------|----------------|--------------|--------------|---------------|------------|--------------|
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Recovered, recycled, reused | 4,819 | 4,328 | 4,539 | 3,056 | 1,600 | 2,161 | 358 | 337 | 478 |
| Deposited and/or incinerated | 2,804 | 1,256 | 849 | 810 | 562 | 482 | 17 | 425 | 601 |
| Produced (Total) | 7,604 | 5,564 | 5,418 | 3,864 | 2,214 | 3,558 | 375 | 573 | 1,183 |

| Hazardous waste generation ¹³⁰ (t) | Brazil | | | Mexico | | | Rest of countries | | | Total | | |
|---|--------------|------------|------------|------------|------------|------------|-------------------|-----------|-----------|---------------|--------------|---------------|
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Recovered, recycled, reused | 563 | 981 | 140 | 0 | 0 | 0 | 43 | 43 | 35 | 8,839 | 7,288 | 7,353 |
| Deposited and/or incinerated | 316 | 593 | 76 | 186 | 171 | 126 | 27 | 15 | 15 | 4,161 | 3,023 | 2,148 |
| Produced (Total) | 1,069 | 614 | 234 | 186 | 171 | 126 | 70 | 58 | 60 | 13,169 | 9,193 | 10,579 |

| Non-hazardous waste generation ¹³⁰ (t) | Spain | | | United Kingdom | | | United States | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|----------------|
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Recovered, recycled, reused | 74,618 | 109,727 | 79,512 | 70,265 | 304,434 | 155,103 | 4,605 | 34,097 | 231,038 |
| Deposited and/or incinerated | 71,629 | 165,443 | 129,178 | 195,897 | 224,698 | 189,640 | 64,063 | 96,988 | 107,134 |
| Produced (Total) | 146,671 | 277,282 | 208,681 | 266,224 | 589,432 | 387,925 | 69,046 | 131,006 | 338,276 |

| Non-hazardous waste generation ¹³⁰ (t) | Brazil | | | Mexico | | | Rest of countries | | | Total | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|-------------------|----------|----------|----------------|------------------|----------------|
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Recovered, recycled, reused | 19,589 | 1,614 | 5,179 | 117 | 47 | 0 | 9 | 1 | 0 | 294,845 | 449,920 | 470,832 |
| Deposited and/or incinerated | 23,630 | 38,516 | 1,346 | 17,660 | 17,573 | 16,449 | 18 | 2 | 3 | 247,256 | 543,220 | 443,747 |
| Produced (Total) | 49,525 | 38,370 | 27,513 | 17,661 | 17,578 | 16,449 | 18 | 3 | 3 | 549,146 | 1,053,671 | 978,847 |

¹³⁰ Liquid waste has been converted into kg using a density of 1.3 kg/m³.

Average plant availability

EU30

The availability of a plant (during a particular period) is the percentage of time within such period that the plant is able to produce energy. It is calculated using normalising indicators, for which reason, knowing the availability of each facility and the net installed capacity thereof yields the average availability factors of the group, as presented in the following table:

| Average availability factor (%) | | | | |
|---------------------------------|----------------------|-------|-------|-------|
| | | 2018 | 2017 | 2016 |
| Spain | Combined cycle | 91.94 | 91.87 | 89.94 |
| | Conventional thermal | 94.28 | 93.94 | 85.54 |
| | Cogeneration | 96.28 | 92.65 | 88.90 |
| | Nuclear | 89.31 | 89.29 | 85.98 |
| | Hydroelectric | 85.59 | 84.45 | 86.00 |
| | Wind | 97.30 | 91.87 | 97.80 |
| United Kingdom | Combined cycle | 89.67 | 88.30 | 86.63 |
| | Conventional thermal | N/A | N/A | N/A |
| | Cogeneration | N/A | 1.70 | 82.00 |
| | Nuclear | N/A | N/A | N/A |
| | Hydroelectric | 82.95 | 87.23 | 94.00 |
| | Wind | 95.80 | 95.21 | 95.91 |
| United States | Combined cycle | N/A | N/A | N/A |
| | Conventional thermal | N/A | N/A | N/A |
| | Cogeneration | 88.05 | 82.04 | 90.00 |
| | Nuclear | N/A | N/A | N/A |
| | Hydroelectric | 36.17 | 36.78 | 31.21 |
| | Wind | 95.40 | 95.58 | N/A |
| Brazil | Combined cycle | 90.95 | 85.41 | 86.00 |
| | Conventional thermal | N/A | N/A | N/A |
| | Cogeneration | N/A | N/A | 96.65 |
| | Nuclear | N/A | N/A | N/A |
| | Hydroelectric | 94.75 | 95.66 | 93.00 |
| | Wind | 97.60 | 97.34 | 97.50 |

| Average availability factor (%) | | | | |
|--|-----------------------------|--------------|--------------|--------------|
| | | 2018 | 2017 | 2016 |
| Mexico | Combined cycle | 91.94 | 94.95 | 95.32 |
| | Conventional thermal | N/A | N/A | N/A |
| | Cogeneration | 95.56 | 72.18 | 95.17 |
| | Nuclear | N/A | N/A | N/A |
| | Hydroelectric | N/A | N/A | N/A |
| | Wind | 97.10 | 96.22 | 97.50 |
| Rest of countries | Combined cycle | N/A | N/A | N/A |
| | Conventional thermal | N/A | N/A | N/A |
| | Cogeneration | N/A | N/A | N/A |
| | Nuclear | N/A | N/A | N/A |
| | Hydroelectric | N/A | N/A | N/A |
| | Wind | 97.5 | 97.61 | 97.90 |
| Iberdrola total | Combined cycle | 90.39 | 90.94 | 89.94 |
| | Conventional thermal | 94.28 | 93.94 | 85.54 |
| | Cogeneration | 92.17 | 82.75 | 91.00 |
| | Nuclear | 89.31 | 89.29 | 85.98 |
| | Hydroelectric | 86.92 | 86.02 | 86.96 |
| | Wind | 96.36 | 94.36 | 96.84 |

Social dimension

Employment¹³¹

102-8

Total workforce by employment type, region and gender

| | | Full-time | | | Part-time | | |
|------------------------|--------------|---------------|---------------|---------------|--------------|--------------|--------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | Men | 7,852 | 8,309 | 8,404 | 0 | 4 | 4 |
| | Women | 1,970 | 1,981 | 1,986 | 0 | 2 | 1 |
| | Total | 9,822 | 10,290 | 10,390 | 0 | 6 | 5 |
| United Kingdom | Men | 3,670 | 4,032 | 4,224 | 51 | 62 | 56 |
| | Women | 1,306 | 1,329 | 1,407 | 584 | 644 | 686 |
| | Total | 4,976 | 5,361 | 5,631 | 635 | 706 | 742 |
| United States | Men | 4,601 | 4,664 | 4,836 | 1 | 1 | 2 |
| | Women | 1,838 | 1,886 | 1,998 | 9 | 10 | 13 |
| | Total | 6,439 | 6,550 | 6,834 | 10 | 11 | 15 |
| Brazil | Men | 7,746 | 8,048 | 7,387 | 1,050 | 112 | 143 |
| | Women | 1,924 | 1,749 | 1,694 | 29 | 187 | 205 |
| | Total | 9,670 | 9,797 | 9,081 | 1,079 | 299 | 348 |
| Mexico | Men | 909 | 779 | 736 | 0 | 0 | 0 |
| | Women | 203 | 164 | 138 | 0 | 1 | 0 |
| | Total | 1,112 | 943 | 874 | 0 | 1 | 0 |
| Rest of countries | Men | 237 | 218 | 133 | 0 | 0 | 0 |
| | Women | 98 | 73 | 29 | 0 | 0 | 0 |
| | Total | 335 | 291 | 162 | 0 | 0 | 0 |
| Iberdrola total | Men | 25,015 | 26,050 | 25,720 | 1,102 | 179 | 205 |
| | Women | 7,339 | 7,182 | 7,252 | 622 | 844 | 905 |
| | Total | 32,354 | 33,232 | 32,972 | 1,724 | 1,023 | 1,110 |

¹³¹ As the percentage interests in certain companies may not be 100%, the sums added may not correspond to the total presented due to rounding.

Total workforce by contract type, region and gender

| | | Permanent contract | | | Temporary contract | | |
|------------------------|--------------|--------------------|---------------|---------------|--------------------|------------|------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | Men | 7,830 | 8,287 | 8,368 | 22 | 26 | 40 |
| | Women | 1,964 | 1,975 | 1,970 | 6 | 8 | 17 |
| | Total | 9,794 | 10,262 | 10,338 | 28 | 34 | 57 |
| United Kingdom | Men | 3,704 | 4,069 | 4,255 | 17 | 25 | 25 |
| | Women | 1,874 | 1,958 | 2,085 | 16 | 15 | 8 |
| | Total | 5,578 | 6,027 | 6,340 | 33 | 40 | 33 |
| United States | Men | 4,594 | 4,661 | 4,829 | 8 | 4 | 9 |
| | Women | 1,845 | 1,889 | 2,001 | 2 | 7 | 10 |
| | Total | 6,439 | 6,550 | 6,830 | 10 | 11 | 19 |
| Brazil | Men | 8,790 | 8,134 | 7,379 | 6 | 26 | 151 |
| | Women | 1,951 | 1,929 | 1,832 | 2 | 7 | 67 |
| | Total | 10,741 | 10,063 | 9,211 | 8 | 33 | 218 |
| Mexico | Men | 690 | 708 | 580 | 219 | 71 | 156 |
| | Women | 158 | 141 | 102 | 45 | 24 | 36 |
| | Total | 848 | 849 | 682 | 264 | 95 | 192 |
| Rest of countries | Men | 232 | 214 | 120 | 5 | 4 | 13 |
| | Women | 98 | 73 | 28 | 0 | 0 | 1 |
| | Total | 330 | 287 | 148 | 5 | 4 | 14 |
| Iberdrola total | Men | 25,840 | 26,073 | 25,531 | 277 | 156 | 394 |
| | Women | 7,890 | 7,965 | 8,018 | 71 | 61 | 139 |
| | Total | 33,730 | 34,038 | 33,549 | 348 | 217 | 533 |

Total workforce by employment type, gender, age and region 2018

| | | Full-time | Part-time |
|----------------|-----------------------------|--------------|--------------|
| Spain | Men | 7,852 | 0 |
| | Up to 30 years old | 341 | 0 |
| | Between 31 and 50 years old | 4,298 | 0 |
| | More than 50 years old | 3,213 | 0 |
| | Women | 1,970 | 0 |
| | Up to 30 years old | 100 | 0 |
| | Between 31 and 50 years old | 1,332 | 0 |
| | More than 50 years old | 538 | 0 |
| | Total | 9,822 | 0 |
| | Up to 30 years old | 441 | 0 |
| | Between 31 and 50 years old | 5,630 | 0 |
| | More than 50 years old | 3,751 | 0 |
| United Kingdom | Men | 3,670 | 51 |
| | Up to 30 years old | 590 | 2 |
| | Between 31 and 50 years old | 1,942 | 23 |
| | More than 50 years old | 1,138 | 26 |
| | Women | 1,306 | 584 |
| | Up to 30 years old | 173 | 19 |
| | Between 31 and 50 years old | 800 | 472 |
| | More than 50 years old | 333 | 93 |
| | Total | 4,976 | 635 |
| | Up to 30 years old | 763 | 21 |
| | Between 31 and 50 years old | 2,742 | 495 |
| | More than 50 years old | 1,471 | 119 |
| United States | Men | 4,601 | 1 |
| | Up to 30 years old | 515 | 0 |
| | Between 31 and 50 years old | 2,136 | 0 |
| | More than 50 years old | 1,950 | 1 |
| | Women | 1,838 | 9 |
| | Up to 30 years old | 155 | 0 |
| | Between 31 and 50 years old | 875 | 6 |
| | More than 50 years old | 808 | 3 |
| | Total | 6,439 | 10 |
| | Up to 30 years old | 670 | 0 |
| | Between 31 and 50 years old | 3,011 | 6 |
| | More than 50 years old | 2,758 | 4 |
| Brazil | Men | 7,746 | 1,050 |
| | Up to 30 years old | 2,187 | 301 |
| | Between 31 and 50 years old | 4,782 | 676 |
| | More than 50 years old | 777 | 73 |
| | Women | 1,924 | 29 |
| | Up to 30 years old | 611 | 19 |
| | Between 31 and 50 years old | 1,194 | 9 |
| | More than 50 years old | 119 | 1 |

Total workforce by employment type, gender, age and region 2018

| | | Full-time | Part-time |
|-------------------|-----------------------------|---------------|--------------|
| | Total | 9,670 | 1,079 |
| | Up to 30 years old | 2,798 | 320 |
| | Between 31 and 50 years old | 5,976 | 685 |
| | More than 50 years old | 896 | 74 |
| Mexico | Men | 909 | 0 |
| | Up to 30 years old | 247 | 0 |
| | Between 31 and 50 years old | 587 | 0 |
| | More than 50 years old | 75 | 0 |
| | Women | 203 | 0 |
| | Up to 30 years old | 82 | 0 |
| | Between 31 and 50 years old | 117 | 0 |
| | More than 50 years old | 4 | 0 |
| | Total | 1,112 | 0 |
| | Up to 30 years old | 329 | 0 |
| | Between 31 and 50 years old | 704 | 0 |
| | More than 50 years old | 79 | 0 |
| Rest of countries | Men | 232 | 5 |
| | Up to 30 years old | 16 | 3 |
| | Between 31 and 50 years old | 190 | 1 |
| | More than 50 years old | 26 | 1 |
| | Women | 98 | 0 |
| | Up to 30 years old | 17 | 0 |
| | Between 31 and 50 years old | 73 | 0 |
| | More than 50 years old | 8 | 0 |
| | Total | 330 | 5 |
| | Up to 30 years old | 33 | 3 |
| | Between 31 and 50 years old | 263 | 1 |
| | More than 50 years old | 34 | 1 |
| Iberdrola total | Men | 25,010 | 1,107 |
| | Up to 30 years old | 3,896 | 306 |
| | Between 31 and 50 years old | 13,935 | 700 |
| | More than 50 years old | 7,179 | 101 |
| | Women | 7,339 | 622 |
| | Up to 30 years old | 1,138 | 38 |
| | Between 31 and 50 years old | 4,391 | 487 |
| | More than 50 years old | 1,810 | 97 |
| | Total | 32,349 | 1,729 |
| | Up to 30 years old | 5,034 | 344 |
| | Between 31 and 50 years old | 18,326 | 1,187 |
| | More than 50 years old | 8,989 | 198 |

Total workforce by employment type, gender, professional category and region 2018

| | | Full-time | Part-time |
|---|---|--------------|--------------|
| Spain | Men | 7,852 | 0 |
| | Management team | 405 | 0 |
| | Middle managers and skilled technicians | 3,348 | 0 |
| | Skilled workers and support personnel | 4,099 | 0 |
| | Women | 1,970 | 0 |
| | Management team | 94 | 0 |
| | Middle managers and skilled technicians | 1,348 | 0 |
| | Skilled workers and support personnel | 528 | 0 |
| | Total | 9,822 | 0 |
| | Management team | 499 | 0 |
| | Middle managers and skilled technicians | 4,696 | 0 |
| | Skilled workers and support personnel | 4,627 | 0 |
| | United Kingdom | Men | 3,670 |
| Management team | | 108 | 0 |
| Middle managers and skilled technicians | | 2,361 | 27 |
| Skilled workers and support personnel | | 1,201 | 24 |
| Women | | 1,306 | 584 |
| Management team | | 30 | 3 |
| Middle managers and skilled technicians | | 835 | 236 |
| Skilled workers and support personnel | | 441 | 345 |
| Total | | 4,976 | 635 |
| Management team | | 138 | 3 |
| Middle managers and skilled technicians | | 3,196 | 263 |
| Skilled workers and support personnel | | 1,642 | 369 |
| United States | | Men | 4,601 |
| | Management team | 41 | 0 |
| | Middle managers and skilled technicians | 1,660 | 1 |
| | Skilled workers and support personnel | 2,900 | 0 |
| | Women | 1,838 | 9 |
| | Management team | 13 | 0 |
| | Middle managers and skilled technicians | 757 | 6 |
| | Skilled workers and support personnel | 1,068 | 3 |
| | Total | 6,439 | 10 |
| | Management team | 54 | 0 |
| | Middle managers and skilled technicians | 2,417 | 7 |
| | Skilled workers and support personnel | 3,968 | 3 |
| | Brazil | Men | 7,746 |
| Management team | | 75 | 0 |
| Middle managers and skilled technicians | | 1,641 | 11 |
| Skilled workers and support personnel | | 6,030 | 1,039 |

Total workforce by employment type, gender, professional category and region 2018

| | | Full-time | Part-time |
|-------------------|--|---------------|--------------|
| | Women | 1,924 | 29 |
| | Management team | 21 | 0 |
| | Middle managers and skilled technicians | 1,094 | 3 |
| | Skilled workers and support personnel | 809 | 26 |
| | Total | 9,670 | 1,079 |
| | Management team | 96 | 0 |
| | Middle managers and skilled technicians | 2,735 | 14 |
| | Skilled workers and support personnel | 6,839 | 1,065 |
| Mexico | Men | 909 | 0 |
| | Management team | 21 | 0 |
| | Middle managers and skilled technicians | 488 | 0 |
| | Skilled workers and support personnel | 400 | 0 |
| | Women | 203 | 0 |
| | Management team | 6 | 0 |
| | Middle managers and skilled technicians | 173 | 0 |
| | Skilled workers and support personnel | 24 | 0 |
| | Total | 1,112 | 0 |
| | Management team | 27 | 0 |
| | Middle managers and skilled technicians | 661 | 0 |
| | Skilled workers and support personnel | 424 | 0 |
| Rest of countries | Men | 237 | 0 |
| | Management team | 10 | 0 |
| | Middle managers and skilled technicians | 164 | 0 |
| | Skilled workers and support personnel | 63 | 0 |
| | Women | 98 | 0 |
| | Management team | 3 | 0 |
| | Middle managers and skilled technicians | 87 | 0 |
| | Skilled workers and support personnel | 8 | 0 |
| | Total | 335 | 0 |
| | Management team | 13 | 0 |
| | Middle managers and skilled technicians | 251 | 0 |
| | Skilled workers and support personnel | 71 | 0 |
| Iberdrola total | Men | 25,015 | 1,102 |
| | Management team | 660 | 0 |
| | Middle managers and skilled technicians | 9,662 | 39 |
| | Skilled workers and support personnel | 14,693 | 1,063 |
| | Women | 7,339 | 622 |
| | Management team | 167 | 3 |
| | Middle managers and skilled technicians | 4,294 | 245 |
| | Skilled workers and support personnel | 2,878 | 374 |
| | Total | 32,354 | 1,724 |
| | Management team | 827 | 3 |
| | Middle managers and skilled technicians | 13,956 | 284 |
| | Skilled workers and support personnel | 17,571 | 1,437 |

Total workforce by contract type, gender, age and region

| | | Permanent contract | Temporary contract |
|-----------------------------|-----------------------------|--------------------|--------------------|
| Spain | Men | 7,830 | 22 |
| | Up to 30 years old | 336 | 5 |
| | Between 31 and 50 years old | 4,281 | 17 |
| | More than 50 years old | 3,213 | 0 |
| | Women | 1,964 | 6 |
| | Up to 30 years old | 98 | 2 |
| | Between 31 and 50 years old | 1,328 | 4 |
| | More than 50 years old | 538 | 0 |
| | Total | 9,794 | 28 |
| | Up to 30 years old | 434 | 7 |
| | Between 31 and 50 years old | 5,609 | 21 |
| | More than 50 years old | 3,751 | 0 |
| | United Kingdom | Men | 3,704 |
| Up to 30 years old | | 586 | 6 |
| Between 31 and 50 years old | | 1,955 | 10 |
| More than 50 years old | | 1,163 | 1 |
| Women | | 1,874 | 16 |
| Up to 30 years old | | 189 | 3 |
| Between 31 and 50 years old | | 1,261 | 11 |
| More than 50 years old | | 424 | 2 |
| Total | | 5,578 | 33 |
| Up to 30 years old | | 775 | 9 |
| Between 31 and 50 years old | | 3,216 | 21 |
| More than 50 years old | | 1,587 | 3 |
| United States | | Men | 4,594 |
| | Up to 30 years old | 509 | 6 |
| | Between 31 and 50 years old | 2,134 | 2 |
| | More than 50 years old | 1,951 | 0 |
| | Women | 1,845 | 2 |
| | Up to 30 years old | 154 | 1 |
| | Between 31 and 50 years old | 880 | 1 |
| | More than 50 years old | 811 | 0 |
| | Total | 6,439 | 10 |
| | Up to 30 years old | 663 | 7 |
| | Between 31 and 50 years old | 3,014 | 3 |
| | More than 50 years old | 2762 | 0 |
| | Brazil | Men | 8,790 |
| Up to 30 years old | | 2,486 | 2 |
| Between 31 and 50 years old | | 5,455 | 3 |
| More than 50 years old | | 849 | 1 |
| Women | | 1,951 | 2 |
| Up to 30 years old | | 628 | 2 |
| Between 31 and 50 years old | | 1,203 | 0 |
| More than 50 years old | | 120 | 0 |

Total workforce by contract type, gender, age and region

| | | Permanent contract | Temporary contract |
|-------------------|-----------------------------|--------------------|--------------------|
| | Total | 10,741 | 8 |
| | Up to 30 years old | 3,114 | 4 |
| | Between 31 and 50 years old | 6,658 | 3 |
| | More than 50 years old | 969 | 1 |
| Mexico | Men | 690 | 219 |
| | Up to 30 years old | 141 | 105 |
| | Between 31 and 50 years old | 485 | 103 |
| | More than 50 years old | 64 | 11 |
| | Women | 158 | 45 |
| | Up to 30 years old | 54 | 28 |
| | Between 31 and 50 years old | 100 | 17 |
| | More than 50 years old | 4 | 0 |
| | Total | 848 | 264 |
| | Up to 30 years old | 195 | 133 |
| | Between 31 and 50 years old | 585 | 120 |
| | More than 50 years old | 68 | 11 |
| Rest of countries | Men | 232 | 5 |
| | Up to 30 years old | 16 | 3 |
| | Between 31 and 50 years old | 190 | 1 |
| | More than 50 years old | 26 | 1 |
| | Women | 98 | 0 |
| | Up to 30 years old | 17 | 0 |
| | Between 31 and 50 years old | 73 | 0 |
| | More than 50 years old | 8 | 0 |
| | Total | 330 | 5 |
| | Up to 30 years old | 33 | 3 |
| | Between 31 and 50 years old | 263 | 1 |
| | More than 50 years old | 34 | 1 |
| Iberdrola total | Men | 25,840 | 277 |
| | Up to 30 years old | 4,074 | 127 |
| | Between 31 and 50 years old | 14,500 | 136 |
| | More than 50 years old | 7,266 | 14 |
| | Women | 7,890 | 71 |
| | Up to 30 years old | 1,140 | 36 |
| | Between 31 and 50 years old | 4,845 | 33 |
| | More than 50 years old | 1,905 | 2 |
| | Total | 33,730 | 348 |
| | Up to 30 years old | 5,214 | 163 |
| | Between 31 and 50 years old | 19,345 | 169 |
| | More than 50 years old | 9,171 | 16 |

Total workforce by contract type, gender, professional category and region 2018

| | | Permanent contract | Temporary contract |
|---|---|--------------------|--------------------|
| Spain | Men | 7,830 | 22 |
| | Management team | 405 | 0 |
| | Middle managers and skilled technicians | 3,338 | 10 |
| | Skilled workers and support personnel | 4,087 | 12 |
| | Women | 1,964 | 16 |
| | Management team | 94 | 0 |
| | Middle managers and skilled technicians | 1,343 | 5 |
| | Skilled workers and support personnel | 527 | 1 |
| | Total | 9,794 | 28 |
| | Management team | 499 | 0 |
| | Middle managers and skilled technicians | 4,681 | 15 |
| | Skilled workers and support personnel | 4,614 | 13 |
| | United Kingdom | Men | 3,704 |
| Management team | | 108 | 0 |
| Middle managers and skilled technicians | | 2,371 | 17 |
| Skilled workers and support personnel | | 1,225 | 0 |
| Women | | 1,874 | 16 |
| Management team | | 33 | 0 |
| Middle managers and skilled technicians | | 1,058 | 13 |
| Skilled workers and support personnel | | 783 | 3 |
| Total | | 5,578 | 33 |
| Management team | | 141 | 0 |
| Middle managers and skilled technicians | | 3,429 | 30 |
| Skilled workers and support personnel | | 2,008 | 3 |
| United States | | Men | 4,594 |
| | Management team | 41 | 0 |
| | Middle managers and skilled technicians | 1,661 | 0 |
| | Skilled workers and support personnel | 2,892 | 8 |
| | Women | 1,845 | 2 |
| | Management team | 13 | 0 |
| | Middle managers and skilled technicians | 762 | 1 |
| | Skilled workers and support personnel | 1,070 | 1 |
| | Total | 6,439 | 10 |
| | Management team | 54 | 0 |
| | Middle managers and skilled technicians | 2,423 | 1 |
| | Skilled workers and support personnel | 3,962 | 9 |
| | Brazil | Men | 8,790 |
| Management team | | 75 | 0 |
| Middle managers and skilled technicians | | 1,650 | 2 |
| Skilled workers and support personnel | | 7,065 | 4 |
| Women | | 1,951 | 2 |
| Management team | | 21 | 0 |
| Middle managers and skilled technicians | | 1,096 | 1 |
| Skilled workers and support personnel | | 834 | 1 |

Total workforce by contract type, gender, professional category and region 2018

| | | Permanent contract | Temporary contract |
|-------------------|--|--------------------|--------------------|
| | Total | 10,741 | 8 |
| | Management team | 96 | 0 |
| | Middle managers and skilled technicians | 2,746 | 3 |
| | Skilled workers and support personnel | 7,899 | 5 |
| Mexico | Men | 690 | 219 |
| | Management team | 21 | 0 |
| | Middle managers and skilled technicians | 381 | 107 |
| | Skilled workers and support personnel | 288 | 112 |
| | Women | 158 | 45 |
| | Management team | 6 | 0 |
| | Middle managers and skilled technicians | 140 | 33 |
| | Skilled workers and support personnel | 12 | 12 |
| | Total | 848 | 264 |
| | Management team | 27 | 0 |
| | Middle managers and skilled technicians | 521 | 140 |
| | Skilled workers and support personnel | 300 | 124 |
| Rest of countries | Men | 232 | 5 |
| | Management team | 10 | 0 |
| | Middle managers and skilled technicians | 159 | 5 |
| | Skilled workers and support personnel | 63 | 0 |
| | Women | 98 | 0 |
| | Management team | 3 | 0 |
| | Middle managers and skilled technicians | 87 | 0 |
| | Skilled workers and support personnel | 8 | 0 |
| | Total | 330 | 5 |
| | Management team | 13 | 0 |
| | Middle managers and skilled technicians | 246 | 5 |
| | Skilled workers and support personnel | 71 | 0 |
| Iberdrola total | Men | 25,840 | 277 |
| | Management team | 660 | 0 |
| | Middle managers and skilled technicians | 9,560 | 141 |
| | Skilled workers and support personnel | 15,620 | 136 |
| | Women | 7,890 | 71 |
| | Management team | 170 | 0 |
| | Middle managers and skilled technicians | 4,486 | 53 |
| | Skilled workers and support personnel | 3,234 | 18 |
| | Total | 33,730 | 348 |
| | Management team | 830 | 0 |
| | Middle managers and skilled technicians | 14,046 | 194 |
| | Skilled workers and support personnel | 18,854 | 154 |

102-41

Personnel covered by a collective bargaining agreement, by region

| | 2018 | | 2017 | | 2016 | |
|-------------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | No. of Employees | % | No. of Employees | % | No. of Employees | % |
| Spain | 8,582 | 87.38 | 9,109 | 88.47 | 9,753 | 93.82 |
| United Kingdom | 4,149 | 73.94 | 4,219 | 69.54 | 4,510 | 70.77 |
| United States | 3,112 | 48.26 | 3,146 | 47.95 | 3,234 | 47.22 |
| Brazil | 10,735 | 99.87 | 9,805 | 97.12 | 9,190 | 97.47 |
| Mexico | 294 | 26.44 | 203 | 21.50 | 241 | 27.57 |
| Rest of countries | 28 | 8.36 | 161 | 55.53 | 82 | 50.62 |
| Total | 26,900 | 78.94 | 26,643 | 77.78 | 27,010 | 79.25 |

401-1

New hires by region, gender and age group

| | | Men | | | Women | | |
|----------------|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | By age group | 221 | 252 | 244 | 114 | 64 | 93 |
| | Up to 30 years old | 104 | 116 | 121 | 45 | 31 | 35 |
| | Between 31 and 50 years old | 106 | 125 | 116 | 68 | 31 | 55 |
| | More than 50 years old | 11 | 11 | 7 | 1 | 2 | 3 |
| | By age group (%) | 2.82 | 3.03 | 2.90 | 5.81 | 3.23 | 4.68 |
| | Up to 30 years old | 30.55 | 35.26 | 30.17 | 45.12 | 41.89 | 39.77 |
| | Between 31 and 50 years old | 2.47 | 2.92 | 2.65 | 5.14 | 2.34 | 4.02 |
| | More than 50 years old | 0.34 | 0.3 | 0.19 | 0.19 | 0.34 | 0.56 |
| | Total workforce | 7,852 | 8,313 | 8,408 | 1,970 | 1,983 | 1,987 |
| United Kingdom | By age group | 270 | 464 | 261 | 138 | 177 | 81 |
| | Up to 30 years old | 135 | 141 | 112 | 69 | 59 | 25 |
| | Between 31 and 50 years old | 120 | 245 | 109 | 56 | 104 | 52 |
| | More than 50 years old | 15 | 78 | 40 | 13 | 14 | 4 |
| | By age group (%) | 7.26 | 11.33 | 6.10 | 7.30 | 8.97 | 3.87 |
| | Up to 30 years old | 22.80 | 23.46 | 18.51 | 35.94 | 30.41 | 11.9 |
| | Between 31 and 50 years old | 6.11 | 11.84 | 5.01 | 4.40 | 7.76 | 3.07 |
| | More than 50 years old | 1.29 | 5.48 | 2.67 | 3.05 | 3.2 | 1.00 |
| | Total workforce | 3,721 | 4,094 | 4,280 | 1,890 | 1,973 | 2,093 |
| United States | By age group | 380 | 322 | 369 | 137 | 148 | 126 |
| | Up to 30 years old | 149 | 114 | 141 | 44 | 54 | 37 |
| | Between 31 and 50 years old | 187 | 171 | 181 | 74 | 70 | 75 |
| | More than 50 years old | 44 | 37 | 47 | 19 | 24 | 14 |
| | By age group (%) | 8.26 | 6.9 | 7.63 | 7.42 | 13.81 | 10.73 |
| | Up to 30 years old | 28.93 | 23.17 | 27.87 | 28.39 | 24.86 | 23.9 |
| | Between 31 and 50 years old | 8.75 | 8.07 | 8.24 | 8.40 | 11.55 | 6.85 |
| | More than 50 years old | 2.26 | 1.8 | 2.20 | 2.34 | 1.62 | 0.35 |
| | Total workforce | 4,602 | 4,665 | 4,838 | 1,847 | 1,896 | 2,011 |
| Brazil | By age group | 1,583 | 1,127 | 808 | 272 | 174 | 262 |
| | Up to 30 years old | 840 | 550 | 515 | 169 | 108 | 167 |
| | Between 31 and 50 years old | 731 | 559 | 289 | 101 | 64 | 94 |
| | More than 50 years old | 12 | 18 | 4 | 2 | 2 | 1 |
| | By age group (%) | 18.00 | 7.81 | 6.27 | 13.93 | 8.99 | 13.80 |
| | Up to 30 years old | 33.76 | 34.39 | 22.98 | 26.83 | 18.15 | 28.02 |
| | Between 31 and 50 years old | 13.39 | 7.76 | 7.89 | 8.40 | 5.47 | 8.30 |
| | More than 50 years old | 1.41 | 2.87 | 2.00 | 1.67 | 1.17 | 0.59 |
| | Total workforce | 8,796 | 8,160 | 7,530 | 1,953 | 1,936 | 1,899 |

New hires by region, gender and age group

| | | Men | | | Women | | |
|-------------------|-----------------------------|---------------|---------------|---------------|--------------|--------------|--------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Mexico | By age group | 184 | 323 | 146 | 51 | 74 | 31 |
| | Up to 30 years old | 114 | 73 | 72 | 39 | 37 | 17 |
| | Between 31 and 50 years old | 68 | 210 | 67 | 12 | 36 | 14 |
| | More than 50 years old | 2 | 40 | 7 | 0 | 1 | 0 |
| | By age group (%) | 20.24 | 41.46 | 19.84 | 25.12 | 44.85 | 22.46 |
| | Up to 30 years old | 46.15 | 42.69 | 39.13 | 47.56 | 61.67 | 44.74 |
| | Between 31 and 50 years old | 11.58 | 38.82 | 13.7 | 10.26 | 36.00 | 14.74 |
| | More than 50 years old | 2.67 | 59.7 | 11.11 | 0.00 | 20.00 | 0 |
| | Total workforce | 909 | 779 | 736 | 203 | 165 | 138 |
| Rest of countries | By age group | 35 | 66 | 13 | 28 | 19 | 0 |
| | Up to 30 years old | 9 | 18 | 1 | 11 | 6 | 0 |
| | Between 31 and 50 years old | 23 | 43 | 9 | 17 | 13 | 0 |
| | More than 50 years old | 3 | 5 | 3 | 0 | 0 | 0 |
| | By age group (%) | 14.77 | 30.28 | 9.77 | 28.57 | 26.03 | 0 |
| | Up to 30 years old | 47.37 | 60 | 11.11 | 64.71 | 66.67 | 0 |
| | Between 31 and 50 years old | 12.04 | 25.75 | 8.04 | 23.29 | 22.41 | 0 |
| | More than 50 years old | 11.11 | 23.81 | 25 | 0.00 | 0 | 0 |
| | Total workforce | 237 | 218 | 133 | 98 | 73 | 29 |
| Iberdrola total | By age group | 2,673 | 2,554 | 1,841 | 740 | 656 | 593 |
| | Up to 30 years old | 1,351 | 1,012 | 962 | 377 | 295 | 281 |
| | Between 31 and 50 years old | 1,235 | 1,353 | 771 | 328 | 318 | 290 |
| | More than 50 years old | 87 | 189 | 108 | 35 | 43 | 22 |
| | By age group (%) | 10.23 | 9.74 | 7.10 | 9.30 | 8.17 | 7.27 |
| | Up to 30 years old | 32.15 | 26.39 | 24.9 | 32.06 | 27.09 | 25.66 |
| | Between 31 and 50 years old | 8.44 | 9.65 | 5.68 | 6.72 | 6.5 | 5.83 |
| | More than 50 years old | 1.19 | 2.26 | 1.27 | 1.84 | 2.1 | 1.06 |
| | Total workforce | 26,117 | 26,229 | 25,925 | 7,961 | 8,026 | 8,157 |

Persons leaving the company by region, gender and age group

| | | Men | | | Women | | |
|----------------|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | By age group | 682 | 461 | 452 | 130 | 76 | 66 |
| | Up to 30 years old | 11 | 4 | 6 | 5 | 2 | 3 |
| | Between 31 and 50 years old | 48 | 99 | 74 | 31 | 36 | 32 |
| | More than 50 years old | 623 | 358 | 372 | 94 | 38 | 31 |
| | By age group (%) | 8.69 | 5.55 | 5.38 | 6.58 | 3.83 | 3.32 |
| | Up to 30 years old | 3.23 | 1.22 | 1.5 | 5.01 | 2.7 | 3.41 |
| | Between 31 and 50 years old | 1.12 | 2.31 | 1.69 | 2.30 | 2.72 | 2.34 |
| | More than 50 years old | 19.38 | 9.68 | 10.23 | 17.46 | 6.48 | 5.83 |
| | Total workforce | 7,852 | 8,313 | 8,408 | 1,970 | 1,983 | 1,987 |
| United Kingdom | By age group | 643 | 346 | 516 | 220 | 214 | 119 |
| | Up to 30 years old | 61 | 26 | 33 | 24 | 18 | 9 |
| | Between 31 and 50 years old | 194 | 75 | 173 | 86 | 85 | 58 |
| | More than 50 years old | 388 | 245 | 310 | 110 | 111 | 52 |
| | By age group (%) | 17.28 | 8.45 | 12.06 | 11.64 | 10.85 | 5.69 |
| | Up to 30 years old | 10.30 | 4.33 | 5.45 | 12.50 | 9.28 | 4.29 |
| | Between 31 and 50 years old | 9.87 | 3.62 | 7.95 | 6.76 | 6.34 | 4.12 |
| | More than 50 years old | 33.33 | 17.21 | 20.69 | 25.82 | 25.34 | 10.92 |
| | Total workforce | 3,721 | 4,094 | 4,280 | 1,890 | 1,973 | 2,093 |
| United States | By age group | 453 | 471 | 320 | 186 | 252 | 172 |
| | Up to 30 years old | 38 | 53 | 69 | 20 | 34 | 30 |
| | Between 31 and 50 years old | 127 | 137 | 89 | 60 | 61 | 61 |
| | More than 50 years old | 288 | 281 | 162 | 106 | 157 | 81 |
| | By age group (%) | 9.84 | 10.10 | 6.61 | 10.07 | 13.29 | 8.55 |
| | Up to 30 years old | 7.38 | 10.77 | 13.64 | 12.90 | 21.66 | 18.63 |
| | Between 31 and 50 years old | 5.95 | 6.47 | 4.05 | 6.81 | 6.76 | 6.42 |
| | More than 50 years old | 14.76 | 13.68 | 7.59 | 13.07 | 18.76 | 9 |
| | Total workforce | 4,602 | 4,665 | 4,838 | 1,847 | 1,896 | 2,011 |
| Brazil | By age group | 941 | 580 | 544 | 247 | 165 | 184 |
| | Up to 30 years old | 165 | 137 | 116 | 59 | 51 | 56 |
| | Between 31 and 50 years old | 403 | 269 | 219 | 119 | 84 | 76 |
| | More than 50 years old | 373 | 174 | 209 | 69 | 30 | 52 |
| | By age group (%) | 10.70 | 7.11 | 7.22 | 12.65 | 8.52 | 9.69 |
| | Up to 30 years old | 6.63 | 6.19 | 5.38 | 9.37 | 8.57 | 9.4 |
| | Between 31 and 50 years old | 7.38 | 5.56 | 5.19 | 9.89 | 7.18 | 6.71 |
| | More than 50 years old | 43.88 | 15.68 | 18.06 | 57.50 | 17.54 | 30.59 |
| | Total workforce | 8,796 | 8,160 | 7,530 | 1,953 | 1,936 | 1,899 |

Persons leaving the company by region, gender and age group

| | | Men | | | Women | | |
|-------------------|-----------------------------|---------------|---------------|---------------|--------------|--------------|--------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Mexico | By age group | 62 | 80 | 95 | 13 | 23 | 18 |
| | Up to 30 years old | 14 | 20 | 30 | 6 | 7 | 8 |
| | Between 31 and 50 years old | 38 | 47 | 55 | 6 | 16 | 10 |
| | More than 50 years old | 10 | 13 | 10 | 1 | 0 | 0 |
| | By age group (%) | 6.82 | 10.27 | 12.91 | 6.40 | 13.94 | 13.04 |
| | Up to 30 years old | 5.67 | 11.7 | 16.3 | 7.32 | 11.67 | 21.05 |
| | Between 31 and 50 years old | 6.47 | 8.69 | 11.25 | 5.13 | 16 | 10.53 |
| | More than 50 years old | 13.33 | 19.4 | 15.87 | 25.00 | 0 | 0 |
| | Total workforce | 909 | 779 | 736 | 203 | 165 | 138 |
| Rest of countries | By age group | 45 | 14 | 11 | 20 | 7 | 5 |
| | Up to 30 years old | 4 | 2 | 0 | 3 | 1 | 0 |
| | Between 31 and 50 years old | 29 | 11 | 10 | 15 | 6 | 5 |
| | More than 50 years old | 12 | 1 | 1 | 2 | 0 | 0 |
| | By age group (%) | 18.99 | 6.25 | 8.27 | 20.41 | 18.92 | 17.24 |
| | Up to 30 years old | 21.05 | 5.88 | 0 | 17.65 | 33.33 | 0 |
| | Between 31 and 50 years old | 15.18 | 6.56 | 8.93 | 20.55 | 19.35 | 20 |
| | More than 50 years old | 44.44 | 4.76 | 8.33 | 25.00 | 0 | 0 |
| | Total workforce | 237 | 218 | 133 | 98 | 73 | 29 |
| Iberdrola total | By age group | 2,826 | 1,952 | 1,931 | 816 | 737 | 564 |
| | Up to 30 years old | 293 | 242 | 254 | 117 | 113 | 106 |
| | Between 31 and 50 years old | 839 | 638 | 614 | 317 | 288 | 242 |
| | More than 50 years old | 1,694 | 1,072 | 1,063 | 382 | 336 | 216 |
| | By age group (%) | 10.82 | 7.44 | 7.45 | 10.25 | 9.18 | 6.91 |
| | Up to 30 years old | 6.97 | 6.31 | 6.58 | 9.94 | 10.38 | 9.68 |
| | Between 31 and 50 years old | 5.73 | 4.55 | 4.53 | 6.50 | 5.88 | 4.86 |
| | More than 50 years old | 23.27 | 12.8 | 12.5 | 20.04 | 16.45 | 10.36 |
| | Total workforce | 26,117 | 26,229 | 25,925 | 7,961 | 8,026 | 8,157 |

| Redundancies by region, gender and age group | | | |
|---|-----------------------------|-------------|--------------|
| | | Men | Women |
| Spain | By age group | 13 | 2 |
| | Up to 30 years old | 0 | 1 |
| | Between 31 and 50 years old | 7 | 0 |
| | More than 50 years old | 6 | 1 |
| | By age group (%) | 0.16 | 0.10 |
| | Up to 30 years old | 0.00 | 1.00 |
| | Between 31 and 50 years old | 0.16 | 0.00 |
| | More than 50 years old | 0.17 | 0.19 |
| United Kingdom | By age group | 8 | 1 |
| | Up to 30 years old | 4 | 1 |
| | Between 31 and 50 years old | 2 | 0 |
| | More than 50 years old | 2 | 0 |
| | By age group (%) | 0.21 | 0.05 |
| | Up to 30 years old | 0.68 | 0.52 |
| | Between 31 and 50 years old | 0.10 | 0.00 |
| | More than 50 years old | 0.17 | 0.00 |
| United States | By age group | 23 | 22 |
| | Up to 30 years old | 5 | 2 |
| | Between 31 and 50 years old | 12 | 15 |
| | More than 50 years old | 6 | 5 |
| | By age group (%) | 0.50 | 1.19 |
| | Up to 30 years old | 0.97 | 1.29 |
| | Between 31 and 50 years old | 0.56 | 1.70 |
| | More than 50 years old | 0.31 | 0.62 |
| Brazil | By age group | 617 | 141 |
| | Up to 30 years old | 81 | 20 |
| | Between 31 and 50 years old | 241 | 57 |
| | More than 50 years old | 295 | 64 |
| | By age group (%) | 7.01 | 7.22 |
| | Up to 30 years old | 3.26 | 3.17 |
| | Between 31 and 50 years old | 4.42 | 4.74 |
| | More than 50 years old | 34.71 | 53.33 |
| Mexico | By age group | 11 | 2 |
| | Up to 30 years old | 3 | 0 |
| | Between 31 and 50 years old | 8 | 2 |
| | More than 50 years old | 0 | 0 |
| | By age group (%) | 1.21 | 0.99 |
| | Up to 30 years old | 1.21 | 0.00 |
| | Between 31 and 50 years old | 1.36 | 1.71 |
| | More than 50 years old | 0.00 | 0.00 |

Redundancies by region, gender and age group

| | | Men | Women |
|-------------------|------------------------------------|-------------|-------------|
| Rest of countries | By age group | 0 | 0 |
| | Up to 30 years old | 0 | 0 |
| | Between 31 and 50 years old | 0 | 0 |
| | More than 50 years old | 0 | 0 |
| | By age group (%) | 0.00 | 0.00 |
| | Up to 30 years old | 0.00 | 0.00 |
| | Between 31 and 50 years old | 0.00 | 0.00 |
| | More than 50 years old | 0.00 | 0.00 |
| Iberdrola total | By age group | 672 | 168 |
| | Up to 30 years old | 93 | 24 |
| | Between 31 and 50 years old | 270 | 74 |
| | More than 50 years old | 309 | 70 |
| | By age group (%) | 2.57 | 2.11 |
| | Up to 30 years old | 2.21 | 2.04 |
| | Between 31 and 50 years old | 1.84 | 1.52 |
| | More than 50 years old | 4.24 | 3.67 |

| Redundancies by region, gender and professional category | | | |
|---|---|-------------|--------------|
| | | Men | Women |
| Spain | By professional category | 13 | 2 |
| | Management team | 3 | 1 |
| | Middle managers and skilled technicians | 8 | 1 |
| | Skilled workers and support personnel | 2 | 0 |
| | By professional category (%) | 0.16 | 0.10 |
| | Management team | 0.74 | 1.06 |
| | Middle managers and skilled technicians | 0.24 | 0.07 |
| | Skilled workers and support personnel | 0.05 | 0.00 |
| United Kingdom | By professional category | 8 | 1 |
| | Management team | 0 | 0 |
| | Middle managers and skilled technicians | 2 | 0 |
| | Skilled workers and support personnel | 6 | 1 |
| | By professional category (%) | 0.21 | 0.05 |
| | Management team | 0.00 | 0.00 |
| | Middle managers and skilled technicians | 0.08 | 0.00 |
| | Skilled workers and support personnel | 0.49 | 0.13 |
| United States | By professional category | 23 | 22 |
| | Management team | 1 | 0 |
| | Middle managers and skilled technicians | 9 | 14 |
| | Skilled workers and support personnel | 13 | 8 |
| | By professional category (%) | 0.50 | 1.19 |
| | Management team | 2.44 | 0.00 |
| | Middle managers and skilled technicians | 0.54 | 1.83 |
| | Skilled workers and support personnel | 0.45 | 0.75 |
| Brazil | By professional category | 617 | 141 |
| | Management team | 9 | 1 |
| | Middle managers and skilled technicians | 142 | 78 |
| | Skilled workers and support personnel | 466 | 62 |
| | By professional category (%) | 7.01 | 7.22 |
| | Management team | 12.00 | 4.76 |
| | Middle managers and skilled technicians | 8.60 | 7.11 |
| | Skilled workers and support personnel | 6.59 | 7.43 |

Redundancies by region, gender and professional category

| | | Men | Women |
|-------------------|--|-------------|-------------|
| Mexico | By professional category | 11 | 2 |
| | Management team | 0 | 0 |
| | Middle managers and skilled technicians | 10 | 2 |
| | Skilled workers and support personnel | 1 | 0 |
| | By professional category (%) | 1.21 | 0.99 |
| | Management team | 0.00 | 0.00 |
| | Middle managers and skilled technicians | 2.05 | 1.16 |
| | Skilled workers and support personnel | 0.25 | 0.00 |
| Rest of countries | By professional category | 0 | 0 |
| | Management team | 0 | 0 |
| | Middle managers and skilled technicians | 0 | 0 |
| | Skilled workers and support personnel | 0 | 0 |
| | By professional category (%) | 0.00 | 0.00 |
| | Management team | 0.00 | 0.00 |
| | Middle managers and skilled technicians | 0.00 | 0.00 |
| | Skilled workers and support personnel | 0.00 | 0.00 |
| Iberdrola total | By professional category | 672 | 168 |
| | Management team | 13 | 2 |
| | Middle managers and skilled technicians | 171 | 95 |
| | Skilled workers and support personnel | 488 | 71 |
| | By professional category (%) | 2.57 | 2.11 |
| | Management team | 1.97 | 1.18 |
| | Middle managers and skilled technicians | 1.76 | 2.09 |
| | Skilled workers and support personnel | 3.09 | 2.18 |

| Average seniority of workforce by region (years) | 2018 |
|--|--------------|
| Spain | 19.64 |
| United Kingdom | 15.90 |
| United States | 14.07 |
| Brazil | 7.78 |
| Mexico | 6.05 |
| Rest of countries | 6.32 |
| Iberdrola total | 13.66 |

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| Benefits offered ¹³² | 2018 | | | | | |
|---------------------------------|--------------------|--------------------|----------------------|---------------------------|--------------|--------------------|
| | Life insurance | Medical insurance | Disability insurance | Maternity/paternity leave | Pension fund | Shares |
| Spain | All | All | All | All | All | N/A |
| United Kingdom | All | All | N/A | All | All | All |
| United States | All | All | Full-time | All | All | N/A |
| Brazil | All ¹³³ | All ¹³⁴ | All | All ¹³⁵ | All | All ¹³⁶ |
| Mexico | Full-time | Full-time | All | All | Full-time | Full-time |

132 All: Applies to both full-time and part-time employees.

133 Valid for all employees (excluding non-executive employees of Elektro), including officers, interns and trainees

134 Excluding interns.

135 Maternity/paternity leave (employees covered by collective bargaining agreement).

136 Elektro executives. (The share programme was paid in cash, the last delivery will occur in March 2019. There is no new programme contemplating the grant of shares).

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Leaves from and returns to work due to maternity/paternity, by region and gender

| | Men | | | Women | | | Total | | |
|---|-----------------------------|---------------|---------------|--------------|--------------|--------------|---------------|---------------|---------------|
| | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Employees entitled to parental leave | | | | | | | | | |
| Spain | 7,852 | 8,313 | 8,408 | 1,970 | 1,983 | 1,987 | 9,822 | 10,296 | 10,395 |
| United Kingdom | 3,721 | 4,094 | 4,280 | 1,890 | 1,973 | 2,093 | 5,611 | 6,067 | 6,373 |
| United States | 4,602 | 4,665 | 4,838 | 1,847 | 1,896 | 2,011 | 6,449 | 6,561 | 6,849 |
| Brazil | 8,796 | 8,160 | 7,530 | 1,953 | 1,936 | 1,899 | 10,749 | 10,096 | 9,429 |
| Mexico | 909 | 779 | 736 | 203 | 165 | 138 | 1,112 | 944 | 874 |
| Rest of countries | 237 | 218 | 133 | 98 | 73 | 29 | 335 | 291 | 162 |
| Total | 26,117 | 26,299 | 25,295 | 7,961 | 8,026 | 8,157 | 34,078 | 34,255 | 34,082 |
| Employees taking parental leave | | | | | | | | | |
| Spain | 21 | 31 | 276 | 130 | 145 | 158 | 151 | 176 | 434 |
| United Kingdom | 36 | 39 | 26 | 147 | 130 | 151 | 183 | 169 | 177 |
| United States | 0 | 0 | 0 | 53 | 48 | 125 | 53 | 48 | 125 |
| Brazil | 370 | 274 | 132 | 98 | 105 | 18 | 468 | 379 | 150 |
| Mexico | 10 | 0 | 0 | 12 | 9 | 10 | 22 | 9 | 10 |
| Rest of countries | 4 | 1 | 0 | 4 | 3 | 1 | 8 | 4 | 1 |
| Total | 441 | 345 | 434 | 444 | 440 | 463 | 885 | 785 | 897 |
| Employees that returned to work after parental leave ended | | | | | | | | | |
| Spain | 21 | 29 | N/Av. | 126 | 114 | N/Av. | 147 | 143 | N/Av. |
| United Kingdom | 36 | 39 | N/Av. | 73 | 73 | N/Av. | 109 | 112 | N/Av. |
| United States | 76 | 0 | N/Av. | 53 | 48 | N/Av. | 129 | 48 | N/Av. |
| Brazil | 369 | 290 | N/Av. | 98 | 103 | N/Av. | 467 | 393 | N/Av. |
| Mexico | 10 | 4 | N/Av. | 12 | 10 | N/Av. | 22 | 14 | N/Av. |
| Rest of countries | 4 | 1 | N/Av. | 4 | 1 | N/Av. | 8 | 2 | N/Av. |
| Total | 516 | 363 | N/Av. | 366 | 349 | N/Av. | 871 | 712 | N/Av. |
| Employees that returned to work after parental leave ended that were still employed 12 months after their return to work | | | | | | | | | |
| Spain | 20 | 28 | N/Av. | 132 | 114 | N/Av. | 152 | 142 | N/Av. |
| United Kingdom | 40 | 28 | N/Av. | 68 | 80 | N/Av. | 108 | 108 | N/Av. |
| United States | 73 | 41 | N/Av. | 49 | 137 | N/Av. | 122 | 178 | N/Av. |
| Brazil | 230 | 226 | N/Av. | 76 | 74 | N/Av. | 306 | 300 | N/Av. |
| Mexico | 10 | 4 | N/Av. | 12 | 6 | N/Av. | 22 | 10 | N/Av. |
| Rest of countries | 0 | 1 | N/Av. | 0 | 0 | N/Av. | 0 | 1 | N/Av. |
| Total | 373 | 328 | N/Av. | 337 | 411 | N/Av. | 710 | 739 | N/Av. |
| Return to work rate | | | | | | | | | |
| Spain | 100 | 93.55 | N/Av. | 97.41 | 78.62 | N/Av. | 97.76 | 86.08 | N/Av. |
| United Kingdom | 100 | 100.00 | N/Av. | 49.66 | 56.15 | N/Av. | 59.56 | 78.08 | N/Av. |
| United States | N/A | N/A | N/Av. | 100.00 | 100.00 | N/Av. | 100.00 | 100.00 | N/Av. |
| Brazil | 99.73 | 105.84 | N/Av. | 100.00 | 98.10 | N/Av. | 99.57 | 101.97 | N/Av. |
| Mexico | 100.00 | 100.00 | N/Av. | 100.00 | 111.11 | N/Av. | 100.00 | 55.56 | N/Av. |
| Rest of countries | 100.00 | 100.00 | N/Av. | 100.00 | 33.33 | N/Av. | 100.00 | 66.67 | N/Av. |
| Total | 117.01¹³⁷ | 105.22 | N/Av. | 82.34 | 79.32 | N/Av. | 99.61 | 92.27 | N/Av. |

137 Greater than 100% because employees who were entitled to leave in 2017 returned to work in 2018

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| Employees eligible to retire in the next 5 years | | | | | | | |
|--|--|--------------------------------|--------------|--------------|------------------------------|--------------|--------------|
| | | By professional category (no.) | | | By professional category (%) | | |
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | Management team | 55 | 55 | 46 | 11.06 | 11.11 | 11.31 |
| | Middle managers and skilled technicians | 344 | 396 | 303 | 7.33 | 8.38 | 6.18 |
| | Skilled workers and support personnel | 658 | 850 | 606 | 14.22 | 16.74 | 12.53 |
| | Total | 1,057 | 1,301 | 955 | 10.76 | 12.64 | 9.56 |
| United Kingdom | Management team | 2 | 5 | 6 | 1.42 | 3.6 | 5.04 |
| | Middle managers and skilled technicians | 173 | 222 | 300 | 5.00 | 11.84 | 12.20 |
| | Skilled workers and support personnel | 224 | 286 | 320 | 11.14 | 13.83 | 14.66 |
| | Total | 399 | 513 | 626 | 7.11 | 10.32 | 10.80 |
| United States | Management team | 14 | 80 | 36 | 25.93 | 49.08 | 39.88 |
| | Middle managers and skilled technicians | 834 | 1,109 | 685 | 34.41 | 40.56 | 32.00 |
| | Skilled workers and support personnel | 1,573 | 1,553 | 726 | 39.61 | 42.39 | 29.78 |
| | Total | 2,421 | 2,742 | 1,447 | 37.54 | 41.79 | 30.96 |
| Brazil | Management team | 7 | 13 | 2 | 7.29 | 14.13 | 7.14 |
| | Middle managers and skilled technicians | 153 | 379 | 666 | 5.57 | 13.51 | 1.37 |
| | Skilled workers and support personnel | 222 | 571 | 383 | 2.81 | 7.93 | 0.30 |
| | Total | 382 | 963 | 1,051 | 3.55 | 9.54 | 1.17 |
| Mexico | Management team | 1 | 2 | 2 | 3.7 | 7.14 | 1.09 |
| | Middle managers and skilled technicians | 21 | 25 | 14 | 3.18 | 4.27 | 2.14 |
| | Skilled workers and support personnel | 5 | 4 | 3 | 1.18 | 1.21 | 1.65 |
| | Total | 27 | 31 | 19 | 2.43 | 3.28 | 1.78 |
| Rest of countries | Management team | 2 | 2 | 1 | 15.38 | 18.18 | 9.09 |
| | Middle managers and skilled technicians | 2 | 2 | 1 | 0.8 | 0.95 | 0.47 |
| | Skilled workers and support personnel | 0 | 0 | 0 | 0 | 0 | 0.00 |
| | Total | 4 | 4 | 2 | 1.19 | 1.37 | 2.90 |
| Iberdrola total | Management team | 81 | 157 | 93 | 9.78 | 16.92 | 15.63 |
| | Middle managers and skilled technicians | 1,527 | 2,133 | 1,969 | 10.72 | 16.89 | 13.67 |
| | Skilled workers and support personnel | 2,682 | 3,264 | 2,038 | 14.11 | 17.50 | 15.58 |
| | Total | 4,290 | 5,554 | 4,100 | 12.59 | 16.22 | 14.71 |

Employees eligible to retire in the next 10 years

| | | By professional category (no.) | | | By professional category (%) | | |
|------------------------|--|--------------------------------|--------------|--------------|------------------------------|--------------|--------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | Management team | 135 | 149 | 120 | 27.11 | 30.10 | 25.86 |
| | Middle managers and skilled technicians | 824 | 931 | 809 | 17.54 | 19.70 | 16.83 |
| | Skilled workers and support personnel | 1,607 | 1,845 | 1,689 | 34.73 | 36.34 | 33.94 |
| | Total | 2,566 | 2,925 | 2,618 | 26.12 | 28.41 | 25.70 |
| United Kingdom | Management team | 29 | 28 | 29 | 20.57 | 20.14 | 22.30 |
| | Middle managers and skilled technicians | 611 | 713 | 823 | 17.66 | 32.49 | 33.32 |
| | Skilled workers and support personnel | 518 | 646 | 739 | 25.76 | 31.95 | 36.49 |
| | Total | 1,158 | 1,387 | 1,591 | 20.64 | 26.22 | 26.85 |
| United States | Management team | 15 | 94 | 80 | 27.78 | 57.67 | 53.99 |
| | Middle managers and skilled technicians | 1,027 | 1,488 | 1,263 | 42.37 | 54.43 | 43.60 |
| | Skilled workers and support personnel | 1,984 | 2,032 | 1,451 | 49.96 | 55.46 | 40.23 |
| | Total | 3,026 | 3,614 | 2,794 | 46.92 | 55.08 | 41.98 |
| Brazil | Management team | 8 | 24 | 7 | 8.33 | 17.86 | 21.43 |
| | Middle managers and skilled technicians | 212 | 484 | 905 | 7.71 | 5.46 | 4.27 |
| | Skilled workers and support personnel | 318 | 959 | 634 | 4.02 | 6.06 | 4.85 |
| | Total | 538 | 1,467 | 1,546 | 5.01 | 6.04 | 4.98 |
| Mexico | Management team | 6 | 5 | 5 | 22.22 | 26.09 | 5.43 |
| | Middle managers and skilled technicians | 61 | 32 | 26 | 9.23 | 17.25 | 6.24 |
| | Skilled workers and support personnel | 22 | 20 | 15 | 5.19 | 13.32 | 7.13 |
| | Total | 89 | 57 | 46 | 8 | 14.53 | 6.86 |
| Rest of countries | Management team | 4 | 1 | 1 | 30.77 | 9.09 | 9.09 |
| | Middle managers and skilled technicians | 10 | 4 | 2 | 3.98 | 1.90 | 0.47 |
| | Skilled workers and support personnel | 3 | 0 | 0 | 4.23 | 0.00 | 0.00 |
| | Total | 17 | 5 | 3 | 5.07 | 7.25 | 2.90 |
| Iberdrola total | Management team | 197 | 301 | 242 | 23.77 | 32.44 | 31.02 |
| | Middle managers and skilled technicians | 2,745 | 3,652 | 3,828 | 19.27 | 24.88 | 25.72 |
| | Skilled workers and support personnel | 4,452 | 5,502 | 4,528 | 23.42 | 29.50 | 31.73 |
| | Total | 7,394 | 9,455 | 8,598 | 21.70 | 27.60 | 28.96 |

Workplace Health and Safety

403-1

| Employees represented on health and safety committees, by region (%) | 2018 | 2017 | 2016 |
|--|--------------|-----------------------|--------------|
| Spain | 97.50 | 96.88 | 95.89 |
| United Kingdom | 100.00 | 100.00 | 94.68 |
| United States | 100.00 | 100.00 | 99.40 |
| Brazil | 100.00 | 100.00 | 90.76 |
| Mexico | 100.00 | 100.00 ¹³⁸ | 100.00 |
| Rest of countries | 31.94 | 37.46 | 66.05 |
| Iberdrola total | 98.61 | 98.53 | 95.70 |

138 There has been a recalculation of the data from 2016 and 2017, including the Renewables and Engineering businesses.

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Number of accidents by region and gender

| | | 2018 | 2017 | 2016 |
|------------------------|--------------|------------|------------|------------|
| Spain | Men | 88 | 69 | 83 |
| | Women | 5 | 13 | 8 |
| | Total | 93 | 82 | 91 |
| United Kingdom | Men | 47 | 61 | 74 |
| | Women | 11 | 31 | 27 |
| | Total | 58 | 92 | 101 |
| United States | Men | 161 | 176 | 154 |
| | Women | 13 | 33 | 20 |
| | Total | 174 | 209 | 174 |
| Brazil | Men | 66 | 69 | 89 |
| | Women | 7 | 0 | 10 |
| | Total | 73 | 69 | 99 |
| Mexico | Men | 1 | 1 | 6 |
| | Women | 0 | 2 | 0 |
| | Total | 1 | 3 | 6 |
| Rest of countries | Men | 0 | 0 | 1 |
| | Women | 0 | 0 | 0 |
| | Total | 0 | 0 | 1 |
| Iberdrola total | Men | 363 | 376 | 407 |
| | Women | 36 | 79 | 65 |
| | Total | 399 | 455 | 472 |

Number of accidents by type, region and gender

| | Accident types | Men | | | Women | | | Total | | |
|-------------------|----------------|------|------|------|-------|------|------|-------|------|------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | Fatal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | With leave | 23 | 24 | 25 | 1 | 0 | 1 | 24 | 24 | 26 |
| | Without leave | 65 | 58 | 58 | 4 | 0 | 7 | 69 | 58 | 65 |
| United Kingdom | Fatal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | With leave | 6 | 3 | 7 | 0 | 0 | 0 | 6 | 3 | 7 |
| | Without leave | 41 | 58 | 67 | 11 | 31 | 27 | 52 | 89 | 94 |
| United States | Fatal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | With leave | 35 | 40 | 38 | 3 | 3 | 8 | 38 | 43 | 46 |
| | Without leave | 126 | 136 | 116 | 10 | 30 | 12 | 136 | 166 | 128 |
| Brazil | Fatal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | With leave | 11 | 34 | 23 | 1 | 0 | 3 | 12 | 34 | 26 |
| | Without leave | 55 | 35 | 66 | 6 | 0 | 7 | 61 | 35 | 73 |
| Mexico | Fatal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | With leave | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 2 |
| | Without leave | 1 | 1 | 4 | 0 | 2 | 0 | 1 | 3 | 4 |
| Rest of countries | Fatal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | With leave | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| | Without leave | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Iberdrola total | Fatal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | With leave | 75 | 101 | 96 | 5 | 3 | 12 | 80 | 104 | 108 |
| | Without leave | 288 | 265 | 311 | 31 | 76 | 53 | 319 | 341 | 364 |

Accident rate by region¹³⁹

| | | 2018 | 2017 | 2016 |
|------------------------|---|--------------|----------------------------|--------------|
| Spain | Number of fatalities - company | 0 | 0 | 0 |
| | Number of fatalities - subcontractor | 0 | 1 | 1 |
| | Number of lost days | 1,788 | 1,558 | 998 |
| | Injury rate | 1.65 | 1.77 | 1.87 |
| | Occupational disease rate (ODR) | 0.01 | 0.00 | 0.01 |
| | Severity indices | 0.12 | 0.11 | 0.06 |
| United Kingdom | Number of fatalities - company | 0 | 0 | 0 |
| | Number of fatalities - subcontractor | 0 | 1 | 0 |
| | Number of lost days | 154 | 214 | 164 |
| | Injury rate | 0.64 | 0.28 | 0.61 |
| | Occupational disease rate (ODR) | 0.00 | 0.02 | 0.00 |
| | Severity indices | 0.02 | 0.02 | 0.02 |
| United States | Number of fatalities - company | 0 | 0 | 0 |
| | Number of fatalities - subcontractor | 0 | 1 | 0 |
| | Number of lost days | 1,518 | 2,141 | 1,274 |
| | Injury rate | 2.97 | 3.27 | 3.49 |
| | Occupational disease rate (ODR) | 0.00 | 0.08 | 0.00 |
| | Severity indices | 0.12 | 0.16 | 0.10 |
| Brazil | Number of fatalities - company | 0 | 0 | 0 |
| | Number of fatalities - subcontractor | 3 | 10 | 0 |
| | Number of lost days | 469 | 461 | 326 |
| | Injury rate | 0.58 | 1.99 | 1.48 |
| | Occupational disease rate (ODR) | 0.01 | 0.01 | 0.01 |
| | Severity indices | 0.02 | 0.03 | 0.02 |
| Mexico | Number of fatalities - company | 0 | 0 | 0 |
| | Number of fatalities - subcontractor | 0 | 0 | 0 |
| | Number of lost days | 0 | 0 | 105 |
| | Injury rate | 0.00 | 0.00 | 1.37 |
| | Occupational disease rate (ODR) | 0.00 | 0.00 | 0.00 |
| | Severity indices | 0.00 | 0.08 | 0.07 |
| Rest of countries | Number of fatalities - company | 0 | 0 | 0 |
| | Number of fatalities - subcontractor | 0 | 0 | 0 |
| | Number of lost days | 0 | 0 | 10 |
| | Injury rate | 0.00 | 0.00 | 3.22 |
| | Occupational disease rate (ODR) | 0.00 | 0.00 | 0.00 |
| | Severity indices | 0.00 | 0.00 | 0.03 |
| Iberdrola total | Number of fatalities - company | 0 | 0 | 0 |
| | Number of fatalities - subcontractor | 3 | 13 | 1 |
| | Number of lost days | 3,929 | 4,374¹⁴⁰ | 2,877 |
| | Frequency ratio | 1.37 | 1.75 | 1.82 |
| | Occupational disease rate (ODR) | 0.01 | 0.02 | 0.01 |
| | Severity index | 0.07 | 0.07 | 0.05 |

¹³⁹ Methodology for calculating the indicators:

- Injury rate (IR) = (number of accidents with leave*1,000,000)/hours worked.
- Occupational disease rate (ODR) = (number of occupational disease cases/hours worked)*200,000.
- Severity index = (calendar days lost per accident, as from first day of leave/hours worked)*1,000.

¹⁴⁰ In 2017 there was a lower number of accidents with leave but a higher mayor number of lost days.

Absenteeism by region and gender

| | | Men | | | Women | | | Total | | |
|------------------------|---------------------------------------|------------------|----------------|----------------|----------------|----------------|---------------|------------------|----------------|----------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | Number of sick leaves per year | 1,275 | 1,381 | 1,486 | 464 | 545 | 654 | 1,739 | 1,926 | 2,140 |
| | Lost days | 48,243 | 67,341 | 66,689 | 16,001 | 23,650 | 25,450 | 64,244 | 90,991 | 92,139 |
| | Lost hours | 426,189 | N/Av. | N/Av. | 128,185 | N/Av. | N/Av. | 554,995 | N/Av. | N/Av. |
| United Kingdom | Number of sick leaves per year | 1,407 | 1,443 | 1,632 | 928 | 1,047 | 1,144 | 2,335 | 2,490 | 2,776 |
| | Lost days | 26,232 | 26,491 | 29,835 | 19,173 | 19,986 | 23,081 | 45,405 | 46,477 | 52,916 |
| | Lost hours | 193,746 | N/Av. | N/Av. | 126,185 | N/Av. | N/Av. | 319,931 | N/Av. | N/Av. |
| United States | Number of sick leaves per year | 3,523 | 3,587 | 3,147 | 1,616 | 1,721 | 1,653 | 5,139 | 5,308 | 4,800 |
| | Lost days | 21,831 | 20,848 | 21,924 | 13,081 | 13,173 | 14,350 | 34,912 | 34,021 | 36,274 |
| | Lost hours | 187,661 | N/Av. | N/Av. | 94,199 | N/Av. | N/Av. | 281,860 | N/Av. | N/Av. |
| Brazil | Number of sick leaves per year | 3,088 | 886 | 3,833 | 1,586 | 666 | 2,029 | 4,674 | 1,552 | 5,862 |
| | Lost days | 12,228 | 11,155 | 11,900 | 8,444 | 6,199 | 6,213 | 20,672 | 17,354 | 18,113 |
| | Lost hours | 293,472 | N/Av. | N/Av. | 202,656 | N/Av. | N/Av. | 496,128 | N/Av. | N/Av. |
| Mexico | Number of sick leaves per year | 78 | 123 | 116 | 16 | 48 | 37 | 94 | 171 | 153 |
| | Lost days | 1,078 | 120 | 87 | 240 | 62 | 110 | 1,318 | 182 | 197 |
| | Lost hours | 8,596 | N/Av. | N/Av. | 1,914 | N/Av. | N/Av. | 10,510 | N/Av. | N/Av. |
| Rest of countries | Number of sick leaves per year | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 3 |
| | Lost days | 0 | 0 | 26 | 0 | 0 | 0 | 0 | 0 | 26 |
| | Lost hours | 0 | N/Av. | N/Av. | 0 | N/Av. | N/Av. | 0 | N/Av. | N/Av. |
| Iberdrola total | Number of sick leaves per year | 9,371 | 7,420 | 10,217 | 4,610 | 4,610 | 5,517 | 13,981 | 11,447 | 15,734 |
| | Lost days | 109,612 | 125,955 | 130,461 | 56,939 | 62,279 | 69,204 | 166,551 | 189,025 | 199,665 |
| | Lost hours | 1,109,664 | N/Av. | N/Av. | 553,760 | 553,800 | N/Av. | 1,663,424 | N/Av. | N/Av. |

| Absenteeism rate (AR) by region¹⁴¹ | | | |
|--|-------------------------|--------------|--------------|
| | 2018 | 2017 | 2016 |
| Spain | 6,842.97 ¹⁴² | N/Av. | N/Av. |
| United Kingdom | 6,667.40 | 6,989.38 | 7,234.95 |
| United States | 4,361.44 | 4,135.13 | 4,468.46 |
| Brazil | 1,898.90 | 1,626.70 | 1,651.9 |
| Mexico | 1,658.48 ¹⁴³ | N/Av. | N/Av. |
| Rest of countries | 0.00 | 0.00 | 189.54 |
| Iberdrola total | 4,615.21 | N/Av. | N/Av. |

141 Methodology for calculating the indicators (per GRI standard):

- Absenteeism rate (AR) = (missed days due to absenteeism, as from first day of leave/days worked)*200,000.

142 The data for Spain and Mexico has been recalculated due to a change in methodology, the information for 2016 and 2017 cannot be recalculated due to a lack of data. Therefore, the information for Spain, Mexico and Iberdrola total is not comparable.

143 The calculation standard has been revised in 2018.

Training and education

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Total number of training hours by professional category, region and gender

| | Professional category | Men | | | Women | | | Total | | |
|----------------|---|----------------|----------------|----------------|----------------|---------------|----------------|----------------|----------------|----------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | Management team | 11,875 | 12,752 | 12,910 | 3,165 | 2,952 | 3,299 | 15,040 | 15,704 | 16,209 |
| | Middle managers and skilled technicians | 171,725 | 150,887 | 152,006 | 69,776 | 52,992 | 59,571 | 241,501 | 203,879 | 211,577 |
| | Skilled workers and support personnel | 190,787 | 197,645 | 207,328 | 10,065 | 11,593 | 11,961 | 200,852 | 209,238 | 219,289 |
| | Total workforce | 374,387 | 361,284 | 372,244 | 83,006 | 67,537 | 74,831 | 457,393 | 428,821 | 447,075 |
| United Kingdom | Management team | 1,981 | 3,061 | 3,510 | 786 | 1,200 | 141 | 2,767 | 4,261 | 3,651 |
| | Middle managers and skilled technicians | 49,282 | 64,319 | 84,433 | 12,702 | 15,282 | 7,589 | 61,984 | 79,601 | 92,022 |
| | Skilled workers and support personnel | 93,238 | 88,230 | 51,319 | 2,683 | 6,141 | 5,279 | 95,921 | 94,371 | 56,598 |
| | Total workforce | 144,501 | 155,610 | 139,262 | 16,171 | 22,623 | 13,009 | 160,672 | 178,233 | 152,271 |
| United States | Management team | 574 | 1,036 | 1,576 | 269 | 540 | 587 | 843 | 1,576 | 2,163 |
| | Middle managers and skilled technicians | 31,256 | 42,425 | 50,698 | 14,168 | 13,524 | 25,100 | 45,424 | 55,949 | 75,798 |
| | Skilled workers and support personnel | 107,581 | 154,129 | 212,079 | 35,164 | 27,443 | 89,160 | 142,745 | 181,572 | 301,239 |
| | Total workforce | 139,411 | 197,590 | 264,353 | 49,601 | 41,507 | 114,847 | 189,012 | 239,097 | 379,200 |
| Brazil | Management team | 2,534 | 2,354 | 1,186 | 766 | 400 | 217 | 3,300 | 2,754 | 1,403 |
| | Middle managers and skilled technicians | 75,946 | 64,789 | 132,450 | 51,748 | 40,535 | 33,231 | 127,694 | 105,324 | 165,681 |
| | Skilled workers and support personnel | 481,863 | 412,476 | 156,809 | 63,551 | 50,193 | 13,622 | 545,414 | 462,669 | 170,431 |
| | Total workforce | 560,343 | 479,619 | 290,445 | 116,065 | 91,128 | 47,070 | 676,408 | 570,747 | 337,515 |

Total number of training hours by professional category, region and gender

| | Professional category | Men | | | Women | | | Total | | |
|-------------------|---|------------------|------------------|------------------|----------------|----------------|----------------|------------------|------------------|------------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Mexico | Management team | 2,433 | 1,968 | 544 | 883 | 117 | 522 | 3,316 | 2,085 | 1,066 |
| | Middle managers and skilled technicians | 42,641 | 28,982 | 19,703 | 15,620 | 8,542 | 3,709 | 58,261 | 37,524 | 23,412 |
| | Skilled workers and support personnel | 40,204 | 40,328 | 20,745 | 552 | 1,122 | 1,159 | 40,756 | 41,450 | 21,904 |
| | Total workforce | 85,278 | 71,278 | 40,992 | 17,055 | 9,781 | 5,390 | 102,333 | 81,059 | 46,382 |
| Rest of countries | Management team | 107 | 306 | 8 | 2 | 16 | 0 | 109 | 322 | 8 |
| | Middle managers and skilled technicians | 1,077 | 4,436 | 1,254 | 237 | 1,198 | 280 | 1,314 | 5,634 | 1,534 |
| | Skilled workers and support personnel | 363 | 3,000 | 980 | 62 | 198 | 29 | 425 | 3,198 | 1,009 |
| | Total workforce | 1,547 | 7,742 | 2,242 | 301 | 1,412 | 309 | 1,848 | 9,154 | 2,551 |
| Iberdrola total | Management team | 19,504 | 21,477 | 19,734 | 5,871 | 5,225 | 4,766 | 25,375 | 26,702 | 24,500 |
| | Middle managers and skilled technicians | 371,927 | 355,838 | 440,544 | 164,251 | 132,073 | 129,480 | 536,178 | 487,911 | 570,024 |
| | Skilled workers and support personnel | 914,036 | 895,808 | 649,260 | 112,077 | 96,690 | 121,210 | 1,026,113 | 992,498 | 770,470 |
| | Total workforce | 1,305,467 | 1,273,123 | 1,109,538 | 282,199 | 233,988 | 255,456 | 1,587,666 | 1,507,111 | 1,364,994 |

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Average hours of training per employee trained, broken down by professional category, region and gender

| | Professional category | Men | | | Women | | | Total | | |
|----------------|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | Management team | 29.98 | 14.83 | 36.37 | 34.77 | 36.44 | 45.19 | 30.88 | 16.69 | 37.87 |
| | Middle managers and skilled technicians | 51.80 | 42.96 | 47.00 | 52.26 | 40.42 | 47.77 | 51.93 | 42.27 | 47.22 |
| | Skilled workers and support personnel | 45.87 | 44.52 | 45.64 | 19.31 | 20.23 | 21.51 | 42.91 | 41.75 | 43.01 |
| | Total workforce | 47.57 | 41.00 | 45.77 | 42.62 | 34.37 | 39.91 | 46.59 | 39.79 | 44.67 |
| United Kingdom | Management team | 17.38 | 28.34 | 39.89 | 24.56 | 41.38 | 14.10 | 18.95 | 31.10 | 37.26 |
| | Middle managers and skilled technicians | 18.74 | 25.04 | 39.02 | 11.68 | 14.50 | 18.93 | 16.68 | 21.97 | 35.88 |
| | Skilled workers and support personnel | 69.89 | 60.39 | 40.28 | 3.41 | 6.82 | 15.35 | 45.18 | 39.95 | 34.98 |
| | Total workforce | 35.43 | 37.61 | 39.50 | 8.48 | 11.40 | 17.23 | 26.84 | 29.11 | 35.57 |
| United States | Management team | 12.75 | 9.17 | 15.92 | 14.95 | 10.19 | 15.05 | 13.38 | 9.49 | 15.67 |
| | Middle managers and skilled technicians | 17.60 | 20.30 | 27.27 | 17.51 | 11.65 | 22.86 | 17.57 | 17.21 | 25.63 |
| | Skilled workers and support personnel | 35.93 | 48.05 | 75.10 | 31.51 | 30.73 | 112.29 | 34.73 | 44.28 | 83.26 |
| | Total workforce | 28.95 | 36.52 | 55.28 | 25.53 | 19.70 | 59.48 | 27.97 | 31.80 | 56.49 |
| Brazil | Management team | 35.69 | 34.62 | 40.90 | 42.56 | 25.00 | 27.13 | 37.08 | 32.79 | 37.92 |
| | Middle managers and skilled technicians | 44.03 | 36.28 | 40.60 | 45.51 | 35.40 | 30.74 | 44.62 | 35.93 | 38.15 |
| | Skilled workers and support personnel | 66.17 | 65.37 | 44.64 | 73.38 | 62.43 | 28.20 | 66.94 | 65.04 | 42.65 |
| | Total workforce | 61.73 | 58.75 | 42.69 | 57.43 | 46.38 | 29.94 | 60.94 | 56.35 | 40.30 |

Average hours of training per employee trained, broken down by professional category, region and gender

| | Professional category | Men | | | Women | | | Total | | |
|-------------------|---|---------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Mexico | Management team | 90.11 | 70.29 | 36.27 | 126.11 | 29.25 | 174.00 | 97.54 | 65.16 | 59.20 |
| | Middle managers and skilled technicians | 93.72 | 69.17 | 78.19 | 94.66 | 64.71 | 67.45 | 93.97 | 68.10 | 76.26 |
| | Skilled workers and support personnel | 126.43 | 139.06 | 103.21 | 32.45 | 43.15 | 231.80 | 121.66 | 131.17 | 106.33 |
| | Total workforce | 106.60 | 96.71 | 87.59 | 90.24 | 60.38 | 85.56 | 103.47 | 90.17 | 87.35 |
| Rest of countries | Management team | 6.66 | 25.50 | 8.00 | 0.51 | 5.33 | 0 | 5.69 | 21.47 | 8.00 |
| | Middle managers and skilled technicians | 4.66 | 19.20 | 10.63 | 2.67 | 12.61 | 17.50 | 4.11 | 17.28 | 11.45 |
| | Skilled workers and support personnel | 3.91 | 12.35 | 6.58 | 4.80 | 22.00 | 4.83 | 4.02 | 12.69 | 6.51 |
| | Total workforce | 4.55 | 15.93 | 8.37 | 2.87 | 13.20 | 14.05 | 4.15 | 15.44 | 8.80 |
| Iberdrola total | Management team | 29.15 | 18.06 | 33.74 | 34.73 | 28.09 | 35.82 | 30.28 | 19.42 | 34.11 |
| | Middle managers and skilled technicians | 36.71 | 33.55 | 40.66 | 35.54 | 26.96 | 33.23 | 36.34 | 31.47 | 38.71 |
| | Skilled workers and support personnel | 56.49 | 56.16 | 51.92 | 33.74 | 30.16 | 55.40 | 52.62 | 51.81 | 52.44 |
| | Total workforce | 48.38 | 45.88 | 46.33 | 34.78 | 28.23 | 41.08 | 45.24 | 41.82 | 45.25 |

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Employees receiving performance reviews by region, professional category and gender (%)

| Professional category | | Men | | | Women | | | Total | | |
|-----------------------|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | Management team | 87.68 | 97.55 | 100 | 84.97 | 90.80 | 97.50 | 87.17 | 96.36 | 29.39 |
| | Middle managers and skilled technicians | 87.61 | 94.58 | 95.84 | 84.56 | 93.66 | 93.41 | 86.73 | 94.31 | 100 |
| | Skilled workers and support personnel | 96.14 | 95.42 | 94.64 | 96.44 | 92.86 | 92.82 | 96.17 | 95.12 | 74.37 |
| | Total | 92.06 | 95.18 | 95.49 | 87.76 | 93.29 | 94.67 | 91.20 | 94.80 | 95.33 |
| United Kingdom | Management team | 100 | 100 | 98.20 | 96.97 | 100 | 100 | 99.29 | 100 | 98.56 |
| | Middle managers and skilled technicians | 99.83 | 100 | 99.42 | 100 | 100 | 100 | 99.94 | 100 | 99.61 |
| | Skilled workers and support personnel | 99.76 | 100 | 100 | 99.62 | 100 | 100 | 99.70 | 100 | 100 |
| | Total | 99.81 | 100 | 99.60 | 99.89 | 100 | 100 | 99.84 | 100 | 99.75 |
| United States | Management team | 97.56 | 99.11 | 100 | 100 | 98.04 | 100 | 98.15 | 98.77 | 100 |
| | Middle managers and skilled technicians | 97.05 | 98.90 | 99.57 | 97.12 | 98.72 | 99.54 | 97.07 | 98.83 | 99.56 |
| | Skilled workers and support personnel | 16.14 | 13.42 | 13.00 | 34.08 | 13.69 | 16.28 | 20.98 | 13.48 | 13.76 |
| | Total | 46.07 | 47.03 | 48.08 | 60.58 | 61.34 | 63.45 | 50.22 | 51.17 | 52.59 |
| Brazil | Management team | 77.33 | 61.64 | 92.31 | 52.38 | 47.37 | 100 | 71.88 | 58.70 | 96.88 |
| | Middle managers and skilled technicians | 89.35 | 92.78 | 100 | 88.33 | 90.56 | 86.85 | 88.94 | 91.91 | 98.86 |
| | Skilled workers and support personnel | 75.71 | 81.48 | 85.64 | 75.21 | 86.01 | 91.06 | 75.66 | 81.99 | 86.34 |
| | Total | 78.29 | 83.66 | 93.60 | 82.33 | 88.22 | 88.31 | 79.02 | 84.54 | 92.53 |
| Mexico | Management team | 100 | 100 | 4.55 | 100 | 100 | 33.33 | 100 | 100 | 8.00 |
| | Middle managers and skilled technicians | 100 | 100 | 69.62 | 100 | 100 | 73.64 | 100 | 100 | 70.45 |
| | Skilled workers and support personnel | 100 | 100 | 15.54 | 100 | 100 | 36.00 | 100 | 100 | 17.13 |
| | Total | 100 | 100 | 45.92 | 100 | 100 | 65.94 | 100 | 100 | 49.08 |
| Rest of countries | Management team | 80.00 | 75.00 | 66.67 | 100 | 100 | 100 | 84.62 | 81.82 | 75.00 |
| | Middle managers and skilled technicians | 90.85 | 62.16 | 61.33 | 82.76 | 61.90 | 27.27 | 88.05 | 62.09 | 53.61 |
| | Skilled workers and support personnel | 98.41 | 22.58 | 28.85 | 100 | 28.57 | 60.00 | 98.59 | 23.19 | 31.58 |
| | Total | 92.41 | 51.38 | 48.87 | 84.69 | 60.27 | 37.93 | 90.15 | 53.61 | 46.91 |
| Iberdrola total | Management team | 89.41 | 94.57 | 97.11 | 85.22 | 90.10 | 98.14 | 88.55 | 95.92 | 97.31 |
| | Middle managers and skilled technicians | 93.21 | 96.20 | 98.23 | 91.82 | 95.23 | 94.31 | 92.77 | 96.76 | 97.09 |
| | Skilled workers and support personnel | 72.64 | 74.91 | 73.13 | 71.25 | 72.15 | 72.95 | 72.40 | 74.09 | 73.10 |
| | Total | 80.70 | 83.58 | 85.13 | 83.28 | 86.00 | 86.18 | 81.30 | 84.15 | 85.38 |

Diversity and equal opportunity

Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity.

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Total workforce by region, gender and professional category

| Professional category | | Men | | | Women | | | Total | | |
|-----------------------|---|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | Management team | 405 | 408 | 424 | 94 | 87 | 80 | 499 | 495 | 504 |
| | Middle managers and skilled technicians | 3,348 | 3,430 | 3,435 | 1,348 | 1,294 | 1,308 | 4,696 | 4,724 | 4,743 |
| | Skilled workers and support personnel | 4,099 | 4,475 | 4,549 | 528 | 602 | 599 | 4,627 | 5,077 | 5,148 |
| | Total | 7,852 | 8,313 | 8,408 | 1,970 | 1,983 | 1,987 | 9,822 | 10,296 | 10,395 |
| United Kingdom | Management team | 108 | 111 | 111 | 33 | 28 | 28 | 141 | 139 | 139 |
| | Middle managers and skilled technicians | 2,388 | 2,547 | 2,576 | 1,071 | 1,068 | 1,054 | 3,459 | 3,615 | 3,630 |
| | Skilled workers and support personnel | 1,225 | 1,436 | 1,593 | 786 | 877 | 1,011 | 2,011 | 2,313 | 2,604 |
| | Total | 3,721 | 4,094 | 4,280 | 1,890 | 1,973 | 2,093 | 5,611 | 6,067 | 6,373 |
| United States | Management team | 41 | 112 | 104 | 13 | 51 | 42 | 54 | 163 | 146 |
| | Middle managers and skilled technicians | 1,661 | 1,722 | 1,856 | 763 | 1,012 | 1,097 | 2,424 | 2,734 | 2,953 |
| | Skilled workers and support personnel | 2,900 | 2,831 | 2,878 | 1,071 | 833 | 872 | 3,971 | 3,664 | 3,750 |
| | Total | 4,602 | 4,665 | 4,838 | 1,847 | 1,896 | 2,011 | 6,449 | 6,561 | 6,849 |
| Brazil | Management team | 75 | 73 | 26 | 21 | 19 | 6 | 96 | 92 | 32 |
| | Middle managers and skilled technicians | 1,652 | 1,704 | 3,360 | 1,097 | 1,102 | 1,278 | 2,749 | 2,806 | 4,638 |
| | Skilled workers and support personnel | 7,069 | 6,383 | 4,144 | 835 | 815 | 615 | 7,904 | 7,198 | 4,759 |
| | Total | 8,796 | 8,160 | 7,530 | 1,953 | 1,936 | 1,899 | 10,749 | 10,096 | 9,429 |
| Mexico | Management team | 21 | 24 | 22 | 6 | 4 | 3 | 27 | 28 | 25 |
| | Middle managers and skilled technicians | 488 | 454 | 418 | 173 | 132 | 110 | 661 | 586 | 528 |
| | Skilled workers and support personnel | 400 | 301 | 296 | 24 | 29 | 25 | 424 | 330 | 321 |
| | Total | 909 | 779 | 736 | 203 | 165 | 138 | 1,112 | 944 | 874 |

Total workforce by region, gender and professional category

| Professional category | | Men | | | Women | | | Total | | |
|-----------------------|---|---------------|---------------|---------------|--------------|--------------|--------------|---------------|---------------|---------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Rest of countries | Management team | 10 | 8 | 6 | 3 | 3 | 2 | 13 | 11 | 8 |
| | Middle managers and skilled technicians | 164 | 148 | 75 | 87 | 63 | 22 | 251 | 211 | 97 |
| | Skilled workers and support personnel | 63 | 62 | 52 | 8 | 7 | 5 | 71 | 69 | 57 |
| | Total | 237 | 218 | 133 | 98 | 73 | 29 | 335 | 291 | 162 |
| Iberdrola total | Management team | 660 | 736 | 693 | 170 | 192 | 161 | 830 | 928 | 854 |
| | Middle managers and skilled technicians | 9,701 | 10,005 | 11,720 | 4,539 | 4,671 | 4,869 | 14,240 | 14,676 | 16,589 |
| | Skilled workers and support personnel | 15,756 | 15,488 | 13,512 | 3,252 | 3,163 | 3,127 | 19,008 | 18,651 | 16,639 |
| | Total | 26,117 | 26,229 | 25,925 | 7,961 | 8,026 | 8,157 | 34,078 | 34,255 | 34,082 |

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Total workforce by region, gender and professional category (%)

| Professional category | | Men | | | Women | | | Total | | |
|-----------------------|---|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | Management team | 4% | 4% | 4% | 1% | 1% | 1% | 5% | 5% | 5% |
| | Middle managers and skilled technicians | 34% | 33% | 33% | 14% | 13% | 12% | 48% | 46% | 46% |
| | Skilled workers and support personnel | 42% | 43% | 44% | 5% | 6% | 6% | 47% | 49% | 50% |
| | Total | 80% | 81% | 81% | 20% | 19% | 19% | 100% | 100% | 100% |
| United Kingdom | Management team | 2% | 2% | 2% | 1% | 0% | 0% | 3% | 2% | 2% |
| | Middle managers and skilled technicians | 42% | 42% | 40% | 19% | 18% | 17% | 61% | 60% | 57% |
| | Skilled workers and support personnel | 22% | 24% | 25% | 14% | 14% | 16% | 36% | 38% | 41% |
| | Total | 66% | 67% | 67% | 34% | 33% | 33% | 100% | 100% | 100% |
| United States | Management team | 1% | 2% | 2% | 0% | 1% | 1% | 1% | 2% | 2% |
| | Middle managers and skilled technicians | 25% | 26% | 27% | 12% | 15% | 16% | 37% | 42% | 43% |
| | Skilled workers and support personnel | 45% | 43% | 42% | 17% | 13% | 12% | 62% | 56% | 55% |
| | Total | 71% | 71% | 71% | 29% | 29% | 29% | 100% | 100% | 100% |
| Brazil | Management team | 1% | 1% | 0% | 0% | 0% | 0% | 1% | 1% | 0% |
| | Middle managers and skilled technicians | 15% | 17% | 36% | 10% | 11% | 14% | 25% | 28% | 49% |
| | Skilled workers and support personnel | 66% | 63% | 44% | 8% | 8% | 7% | 74% | 71% | 50% |
| | Total | 82% | 81% | 80% | 18% | 19% | 20% | 100% | 100% | 100% |
| Mexico | Management team | 2% | 3% | 3% | 0% | 0% | 0% | 2% | 3% | 3% |
| | Middle managers and skilled technicians | 44% | 48% | 48% | 16% | 14% | 12% | 60% | 62% | 60% |
| | Skilled workers and support personnel | 36% | 32% | 34% | 2% | 3% | 3% | 38% | 35% | 37% |
| | Total | 82% | 83% | 84% | 18% | 17% | 16% | 100% | 100% | 100% |

Total workforce by region, gender and professional category (%)

| Professional category | | Men | | | Women | | | Total | | |
|-----------------------|---|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Rest of countries | Management team | 3% | 3% | 4% | 1% | 1% | 1% | 4% | 4% | 5% |
| | Middle managers and skilled technicians | 49% | 51% | 46% | 26% | 22% | 14% | 75% | 73% | 60% |
| | Skilled workers and support personnel | 19% | 21% | 32% | 2% | 2% | 3% | 21% | 24% | 35% |
| | Total | 71% | 75% | 82% | 29% | 25% | 18% | 100% | 100% | 100% |
| Iberdrola total | Management team | 2% | 2% | 2% | 0% | 1% | 0% | 2% | 3% | 3% |
| | Middle managers and skilled technicians | 29% | 29% | 35% | 13% | 14% | 14% | 42% | 43% | 49% |
| | Skilled workers and support personnel | 46% | 45% | 40% | 10% | 9% | 9% | 56% | 54% | 49% |
| | Total | 77% | 77% | 76% | 23% | 23% | 24% | 100% | 100% | 100% |

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Total workforce by region, gender and age

| Age | | Men | | | Women | | | Total | | |
|-------------------|-----------------------------|---------------|---------------|---------------|--------------|--------------|--------------|---------------|---------------|---------------|
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | Up to 30 years old | 341 | 329 | 401 | 100 | 74 | 88 | 441 | 403 | 489 |
| | Between 31 and 50 years old | 4,298 | 4,284 | 4,370 | 1,332 | 1,323 | 1,367 | 5,630 | 5,607 | 5,737 |
| | More than 50 years old | 3,213 | 3,700 | 3,637 | 538 | 586 | 532 | 3,751 | 4,286 | 4,169 |
| | Total | 7,852 | 8,313 | 8,408 | 1,970 | 1,983 | 1,987 | 9,822 | 10,296 | 10,395 |
| United Kingdom | Up to 30 years old | 592 | 601 | 605 | 192 | 194 | 210 | 784 | 795 | 815 |
| | Between 31 and 50 years old | 1,965 | 2,069 | 2,177 | 1,272 | 1,341 | 1,407 | 3,237 | 3,410 | 3,584 |
| | More than 50 years old | 1,164 | 1,424 | 1,498 | 426 | 438 | 476 | 1,590 | 1,862 | 1,974 |
| | Total | 3,721 | 4,094 | 4,280 | 1,890 | 1,973 | 2,093 | 5,611 | 6,067 | 6,373 |
| United States | Up to 30 years old | 515 | 492 | 506 | 155 | 157 | 161 | 670 | 649 | 667 |
| | Between 31 and 50 years old | 2,136 | 2,119 | 2,197 | 881 | 902 | 950 | 3,017 | 3,021 | 3,147 |
| | More than 50 years old | 1,951 | 2,054 | 2,135 | 811 | 837 | 900 | 2,762 | 2,891 | 3,035 |
| | Total | 4,602 | 4,665 | 4,838 | 1,847 | 1,896 | 2,011 | 6,449 | 6,561 | 6,849 |
| Brazil | Up to 30 years old | 2,488 | 2,212 | 2,155 | 630 | 595 | 596 | 3,118 | 2,807 | 2,751 |
| | Between 31 and 50 years old | 5,458 | 4,838 | 4,218 | 1,203 | 1,170 | 1,133 | 6,661 | 6,008 | 5,351 |
| | More than 50 years old | 850 | 1,110 | 1,157 | 120 | 171 | 170 | 970 | 1,281 | 1,327 |
| | Total | 8,796 | 8,160 | 7,530 | 1,953 | 1,936 | 1,899 | 10,749 | 10,096 | 9,429 |
| Mexico | Up to 30 years old | 247 | 171 | 184 | 82 | 60 | 38 | 329 | 231 | 222 |
| | Between 31 and 50 years old | 587 | 541 | 489 | 117 | 100 | 95 | 704 | 641 | 584 |
| | More than 50 years old | 75 | 67 | 63 | 4 | 5 | 5 | 79 | 72 | 68 |
| | Total | 909 | 779 | 736 | 203 | 165 | 138 | 1,112 | 944 | 874 |
| Rest of countries | Up to 30 years old | 19 | 30 | 9 | 17 | 9 | 2 | 36 | 39 | 11 |
| | Between 31 and 50 years old | 191 | 167 | 112 | 73 | 58 | 25 | 264 | 225 | 137 |
| | More than 50 years old | 27 | 21 | 12 | 8 | 6 | 2 | 35 | 27 | 14 |
| | Total | 237 | 218 | 133 | 98 | 73 | 29 | 335 | 291 | 162 |
| Iberdrola total | Up to 30 years old | 4,202 | 3,835 | 3,859 | 1,176 | 1,089 | 1,095 | 5,378 | 4,924 | 4,954 |
| | Between 31 and 50 years old | 14,635 | 14,018 | 13,564 | 4,878 | 4,894 | 4,977 | 19,513 | 18,912 | 18,541 |
| | More than 50 years old | 7,280 | 8,376 | 8,502 | 1,907 | 2,043 | 2,085 | 9,187 | 10,419 | 10,587 |
| | Total | 26,117 | 26,229 | 25,925 | 7,961 | 8,026 | 8,157 | 34,078 | 34,255 | 34,082 |

405-1

| Total workforce by region, gender and age (%) | | | | | | | | | | |
|---|-----------------------------|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
| Age | | Men | | | Women | | | Total | | |
| | | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 | 2018 | 2017 | 2016 |
| Spain | Up to 30 years old | 3% | 3% | 4% | 1% | 1% | 1% | 4% | 4% | 5% |
| | Between 31 and 50 years old | 44% | 42% | 42% | 14% | 13% | 13% | 58% | 54% | 55% |
| | More than 50 years old | 33% | 36% | 35% | 5% | 5% | 5% | 38% | 42% | 40% |
| | Total | 80% | 81% | 81% | 20% | 19% | 19% | 100% | 100% | 100% |
| United Kingdom | Up to 30 years old | 11% | 10% | 9% | 3% | 3% | 3% | 14% | 13% | 13% |
| | Between 31 and 50 years old | 35% | 34% | 34% | 23% | 22% | 22% | 58% | 56% | 56% |
| | More than 50 years old | 21% | 24% | 24% | 8% | 7% | 8% | 28% | 31% | 31% |
| | Total | 66% | 67% | 67% | 34% | 33% | 33% | 100% | 100% | 100% |
| United States | Up to 30 years old | 8% | 8% | 8% | 2% | 2% | 2% | 10% | 10% | 10% |
| | Between 31 and 50 years old | 33% | 32% | 32% | 14% | 14% | 14% | 47% | 46% | 46% |
| | More than 50 years old | 30% | 31% | 31% | 13% | 13% | 13% | 43% | 44% | 44% |
| | Total | 71% | 71% | 71% | 29% | 29% | 29% | 100% | 100% | 100% |
| Brazil | Up to 30 years old | 23% | 22% | 23% | 6% | 6% | 6% | 29% | 28% | 29% |
| | Between 31 and 50 years old | 51% | 48% | 45% | 11% | 11% | 12% | 62% | 60% | 57% |
| | More than 50 years old | 8% | 11% | 12% | 1% | 2% | 2% | 9% | 13% | 14% |
| | Total | 82% | 81% | 80% | 18% | 19% | 20% | 100% | 100% | 100% |
| Mexico | Up to 30 years old | 22% | 18% | 21% | 7% | 6% | 4% | 29% | 24% | 25% |
| | Between 31 and 50 years old | 53% | 57% | 56% | 11% | 11% | 11% | 64% | 68% | 67% |
| | More than 50 years old | 7% | 7% | 7% | 0% | 1% | 1% | 7% | 8% | 8% |
| | Total | 82% | 83% | 84% | 18% | 17% | 16% | 100% | 100% | 100% |
| Rest of countries | Up to 30 years old | 6% | 10% | 6% | 5% | 3% | 1% | 11% | 13% | 7% |
| | Between 31 and 50 years old | 57% | 58% | 69% | 22% | 20% | 15% | 79% | 77% | 85% |
| | More than 50 years old | 8% | 7% | 8% | 2% | 2% | 1% | 10% | 9% | 9% |
| | Total | 71% | 75% | 82% | 29% | 25% | 18% | 100% | 100% | 100% |
| Iberdrola total | Up to 30 years old | 12% | 11% | 11% | 3% | 3% | 3% | 15% | 14% | 15% |
| | Between 31 and 50 years old | 43% | 41% | 40% | 14% | 14% | 15% | 57% | 55% | 54% |
| | More than 50 years old | 22% | 25% | 25% | 6% | 6% | 6% | 28% | 30% | 31% |
| | Total | 77% | 77% | 76% | 23% | 23% | 24% | 100% | 100% | 100% |

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Breakdown of Board of Directors by gender and age group

| Number of members of the Board | 2018 | | 2017 | | 2016 | |
|--------------------------------|------|-----|------|-----|------|-----|
| | no. | % | no. | % | no. | % |
| Men | | | | | | |
| Up to 30 years old | 0 | 0% | 0 | 0% | 0 | 0% |
| Between 31 and 50 years old | 1 | 7% | 1 | 7% | 1 | 7% |
| More than 50 years old | 8 | 57% | 8 | 57% | 8 | 57% |
| Women | | | | | | |
| Up to 30 years old | 0 | 0% | 0 | 0% | 0 | 0% |
| Between 31 and 50 years old | 1 | 7% | 1 | 7% | 2 | 14% |
| More than 50 years old | 4 | 29% | 4 | 29% | 3 | 21% |

Supplier social assessment

414-1 414-2

| Volume of general procurement purchases in countries considered to be at risk (%) | 2018 |
|---|-------|
| Brazil | 17.33 |
| Mexico | 8.56 |
| Volume of fuel purchases in countries considered to be at risk (%) | 2018 |
| Brazil | 3 |
| Mexico | 37 |
| Others (Colombia + Algeria + Nigeria + Peru + Trinidad and Tobago) | 11 |

The standards used to identify countries at risk are the same as those described in the “Protection of Human Rights” section of Chapter “II.5. Contribution to the well-being of our communities” of this report.

Access to electricity

EU27

| Residential disconnections of electricity for non-payment by region (no.) | | 2018 | 2017 | 2016 |
|---|---|------------------|------------------|------------------|
| Spain | Paid up to 48 h after disconnection | 37,428 | 24,811 | 103,802 |
| | Paid between 48 h and one week after disconnection | 3,166 | 1,942 | 11,473 |
| | Paid between one week and one month after disconnection | 4,146 | 2,212 | 14,963 |
| | Paid between one month and one year | 2,131 | 1,095 | 11,465 |
| | Paid after more than one year | 0 | 0 | 0 |
| | Outstanding and unclassified | 0 | 0 | 0 |
| | Total | 46,871 | 30,060 | 141,703 |
| United Kingdom | Paid up to 48 h after disconnection | 0 | 0 | 0 |
| | Paid between 48 h and one week after disconnection | 0 | 0 | 0 |
| | Paid between one week and one month after disconnection | 0 | 0 | 0 |
| | Paid between one month and one year | 0 | 0 | 0 |
| | Paid after more than one year | 0 | 0 | 0 |
| | Outstanding and unclassified | 0 | 0 | 0 |
| | Total | 0 | 0 | 0 |
| United States ¹⁴⁴ | Paid up to 48 h after disconnection | 62,878 | 40,229 | 64,437 |
| | Paid between 48 h and one week after disconnection | 35,675 | 7,487 | 9,004 |
| | Paid between one week and one month after disconnection | 3,181 | 3,441 | 4,299 |
| | Paid between one month and one year | 1,805 | 1,723 | 2,221 |
| | Paid after more than one year | 0 | 0 | 0 |
| | Outstanding and unclassified | 0 | 0 | 0 |
| | Total | 103,539 | 52,880 | 79,961 |
| Brazil | Paid up to 48 h after disconnection | 1,170,543 | 1,239,946 | 1,014,227 |
| | Paid between 48 h and one week after disconnection | 214,718 | 227,007 | 217,099 |
| | Paid between one week and one month after disconnection | 231,919 | 221,001 | 195,483 |
| | Paid between one month and one year | 193,486 | 178,323 | 174,818 |
| | Paid after more than one year | 8 | 7 | 0 |
| | Outstanding and unclassified | 0 | 0 | 48,606 |
| | Total | 1,810,674 | 1,866,284 | 1,650,233 |
| Iberdrola total | Paid up to 48 h after disconnection | 1,270,849 | 1,304,986 | 1,182,466 |
| | Paid between 48 h and one week after disconnection | 253,559 | 236,436 | 237,576 |
| | Paid between one week and one month after disconnection | 239,246 | 226,654 | 214,745 |
| | Paid between one month and one year | 197,422 | 181,141 | 188,504 |
| | Paid after more than one year | 8 | 7 | 0 |
| | Outstanding and unclassified | 0 | 0 | 48,606 |
| | Total | 1,961,084 | 1,949,224 | 1,871,897 |

144 The 2016 and 2017 data do not include the U.S. subsidiary UI.

Residential reconnections of electricity following payment of unpaid bills, by region (no.) EU27

| | | 2018 | 2017 | 2016 |
|-----------------|---|------------------|------------------|------------------|
| Spain | Less than 24 h after payment | 46,234 | 28,784 | 139,706 |
| | Between 24 h and one week after payment | 760 | 803 | 3,537 |
| | More than one week after payment | 141 | 141 | 173 |
| | Unclassified | 0 | 0 | 0 |
| | Total | 47,135 | 29,728 | 143,416 |
| United Kingdom | Less than 24 h after payment | 0 | 0 | 0 |
| | Between 24 h and one week after payment | 0 | 0 | 0 |
| | More than one week after payment | 0 | 0 | 0 |
| | Unclassified | 0 | | 0 |
| | Total | 0 | 0 | 0 |
| United States | Less than 24 h after payment | 38,322 | 42,560 | 43,262 |
| | Between 24 h and one week after payment | 3,324 | 4,180 | 5,663 |
| | More than one week after payment | 0 | 7,082 | 5,296 |
| | Unclassified | 0 | 0 | 0 |
| | Total | 48,440 | 53,822 | 54,221 |
| Brazil | Less than 24 h after payment | 1,555,944 | 1,541,234 | 1,378,234 |
| | Between 24 h and one week after payment | 158,660 | 179,797 | 182,132 |
| | More than one week after payment | 117,787 | 109,172 | 96,599 |
| | Unclassified | 0 | 0 | 14,634 |
| | Total | 1,832,391 | 1,830,203 | 1,671,599 |
| Iberdrola total | Less than 24 h after payment | 1,640,500 | 1,612,578 | 1,561,202 |
| | Between 24 h and one week after payment | 162,744 | 184,780 | 191,332 |
| | More than one week after payment | 124,722 | 116,395 | 102,068 |
| | Unclassified | 0 | 0 | 14,634 |
| | Total | 1,927,966 | 1,913,753 | 1,869,236 |

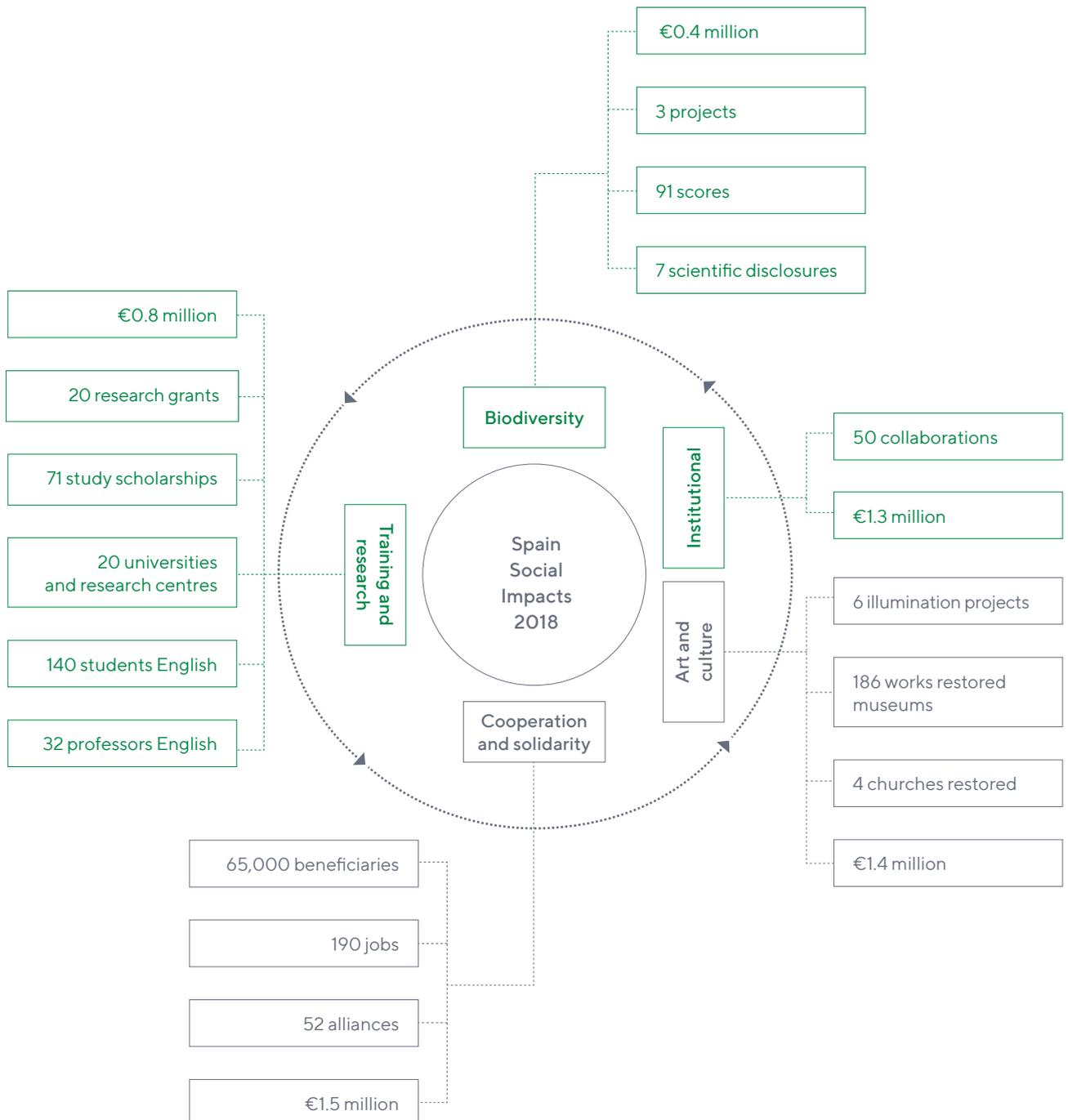
Iberdrola's contribution to the community

Outputs and impacts

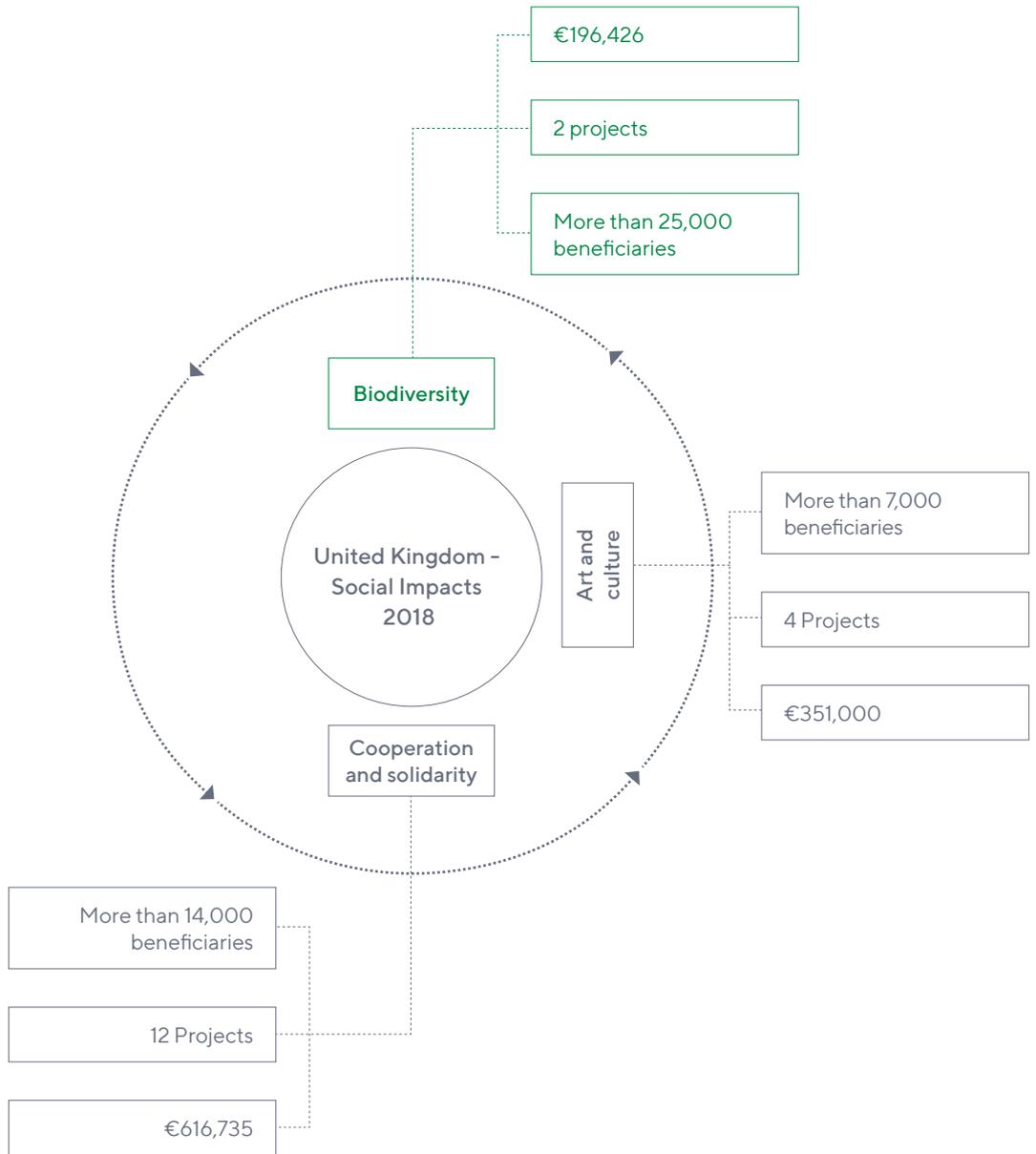
Iberdrola has been measuring the results achieved by its community support programmes using various parameters. Iberdrola's foundations are applying a methodology adapted from LBG to measure outputs and impacts for its most important programmes and projects.

The charts below show the results and achievements by country during 2018:

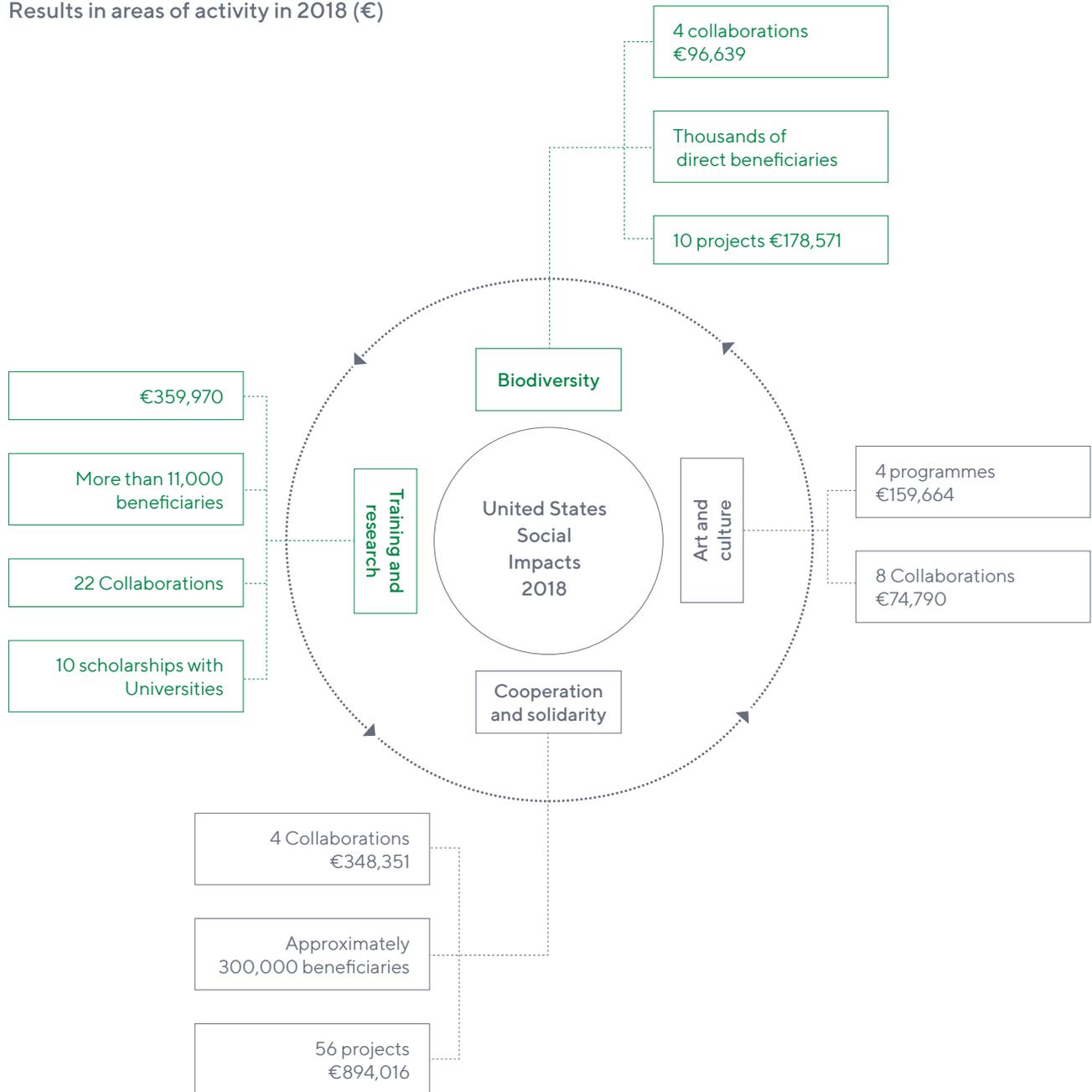
Fundación Iberdrola España Results in areas of activity in 2018 (€)



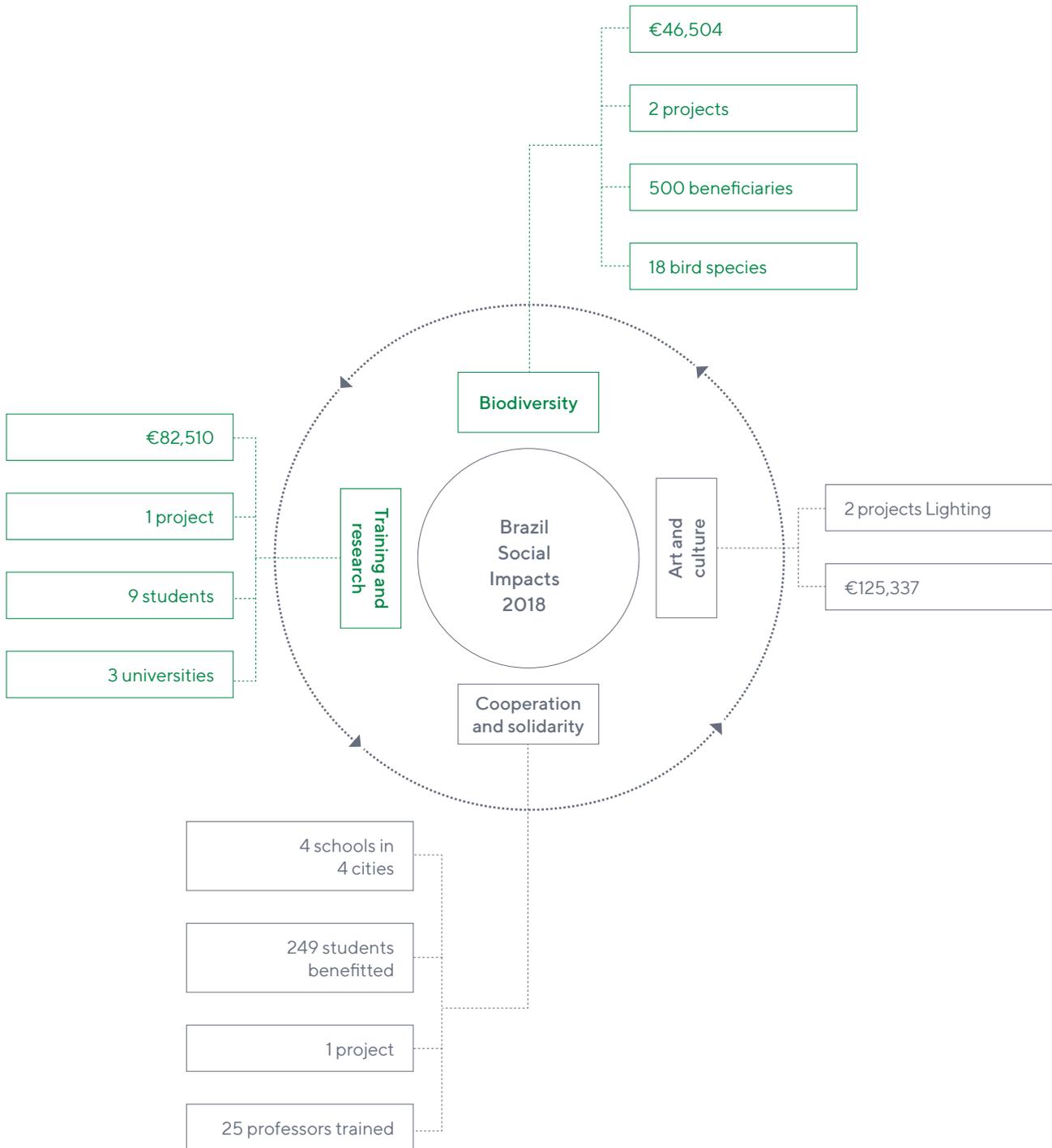
Scottishpower Foundation
Results in areas of activity in 2018 (€)



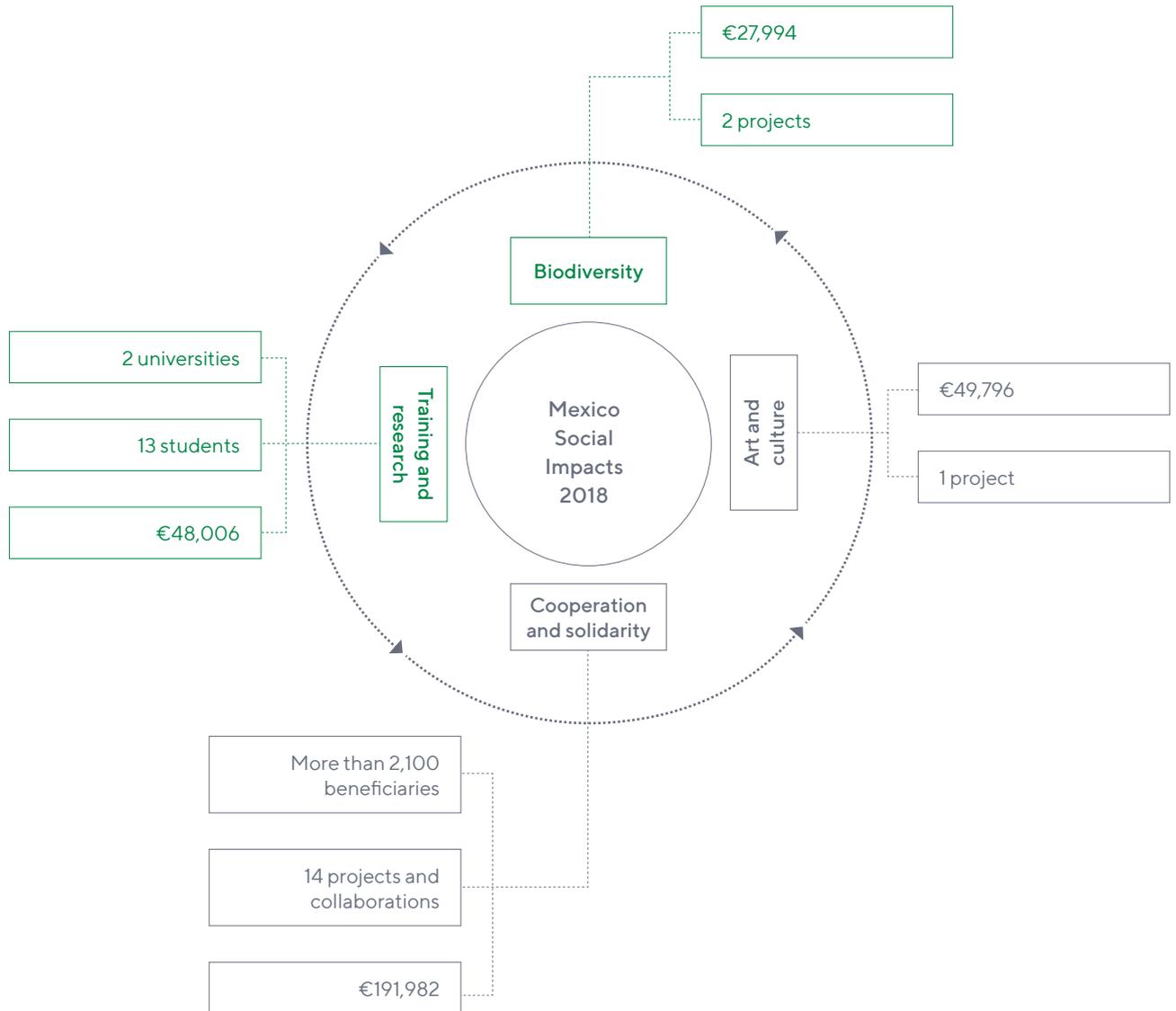
Avandgrid Foundation
Results in areas of activity in 2018 (€)



Instituto Neoenergia Brasil
Results in areas of activity in 2018 (€)



Fundacion Iberdrola Mexico
Results in areas of activity in 2018 (€)



Annex 2: Iberdrola's Contribution to the SDGs and Targets of the 2030 Agenda

The information regarding the company's contribution to SDGs 7 and 13 is contained in the "Our main focus" section of Chapter I.2.

|  | Goal 1: End poverty | | | |
|---|--|---------------|--|------|
| End poverty in all its forms everywhere | | | | |
| | Target | GRI Indicator | Description | Pag. |
| <p>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:</p> <ul style="list-style-type: none"> - 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. This can also support the revitalisation and repopulation of underpopulated rural areas. - 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, supplier services, etc. - In local communities, professional training is promoted and skilled labour, such as services for building and maintaining wind farms, is boosted. - Local communities are supported through 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. <p>During the construction and operation of its facilities, Iberdrola also 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.</p> | <p>1.2.- By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.</p> | 202-1 | Ratios of entry level wage to local minimum wage. | 88 |
| | <p>1.4.- By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.</p> | 413-1 | Local community engagement, impact assessments and development programmes. | 198 |
| | | 203-2 | Significant indirect economic impacts. | 72 |

|  | Goal 2: Zero hunger | | | |
|---|--|---------------|--|------|
| End hunger, achieve food security and improved nutrition and promote sustainable agriculture | | | | |
| <p>One third of the food we produce is wasted on the world scale. Approximately 1,300 million tons of food are thrown into the trash each year. While food is thrown away in some countries, the reality is different in others: 815 million people (11% of the world population) suffers from malnutrition. 155 million of them are children less than 5 years old, who suffer delayed growth as a result of chronic malnutrition.</p> <p>Changes in the system for cultivation and for sustainably feeding the population, ending malnutrition, ensuring sustainability in the production systems and doubling small-scale productivity and income are some of the targets proposed by the United Nations to end hunger.</p> <p>At Iberdrola, our donations of primary products needed by groups at risk of exclusion are collected from various points at the work centres. Everything collected is distributed to needy families and people with limited resources by various local associations like Cáritas, Banco de Alimentos, Red Acoge and Casa de la Caridad, as well as directly by our volunteers. We have already distributed 27 tons of donations since we began the Operation in 2012.</p> <p>4,222 kg were collected in Spain and Portugal and 1,897 kg in Mexico at 11 work centres during 2018. Employees also participated in volunteer initiatives to distribute food at soup kitchens</p> | Target | GRI Indicator | Description | Pag. |
| | <p>2.3.- By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.</p> | 411-1 | Total number of incidents of violations involving rights of indigenous people. | 193 |
| | <p>2.a.- Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries.</p> | LBG | LBG contribution. | 203 |
| | | 203-1 | Development and impact of infrastructure investments and services supported. | 73 |
| 203-2 | Significant indirect economic impacts. | 72 | | |

|  | Goal 3: Good health and well-being | | | |
|--|---|--|--|------|
| Ensure healthy lives and promote well-being for all at all ages | | | | |
| <p>Iberdrola has an <i>Occupational Safety and Health Policy</i> approved by the Board of Directors, which describes the principles that should guide the behaviour of the group's companies in this area. It also has a Global Occupational Safety and Health System, which is aligned with said policy and with the strictest of international standards, and incorporates the group's best practices from all of the countries where it has a presence.</p> <p>Furthermore, the System is based on the principle that the group's contractors are its collaborators, and Iberdrola involves them in its occupational safety culture.</p> <p>The company has a health and safety organisational structure created within a Prevention Area, within the Human Resources Division, in most countries. The companies of the group also 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.</p> <p>As regards protection of the environment, leadership in the development of clean energy and respect for the environment being significant aspects of our business model, a competitive element that distinguishes us in the industry as one of the leading companies worldwide.</p> <p>Iberdrola supports this vision in a benchmark Environmental Management System for all organisations of the group. This system allows for alignment of the environmental dimension within the group's sustainability model, articulating the mechanisms to measure and evaluate the group's environmental performance from the Life Cycle perspective, including in the management thereof the concept of circular economy and return on natural capital.</p> | Target | GRI Indicator | Description | Pag. |
| | 3.4.- By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being. | 403-1 | Employees represented on health and safety committees, by region (%). | 99 |
| | | Own indicator | Programmes and projects relating to healthy living habits, balanced meals. | 97 |
| | 3.9.- By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination. | 305-1 | Direct greenhouse gas emissions. Scope 1 (per GHG Protocol). | 137 |
| | | 305-2 | Indirect greenhouse gas emissions. Scope 2 (per GHG Protocol). | 137 |
| | | 305-6 | Emissions of ozone-depleting substances. | 142 |
| | | 305-7 | NO _x , SO _x and other significant air emissions. | 141 |
| | 306-2 | Total weight of waste by type and disposal method. | 147 | |

|  | Goal 4: Quality education | | | |
|---|---|---|---|------|
| Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all | | | | |
| <p>Iberdrola has a <i>Knowledge Management Policy</i>, approved by the Board of Directors, the objective of which is to disseminate and share knowledge within the company, encouraging continuous 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 Stakeholders. At Iberdrola, learning is thus permanent, ongoing and aligned with the strategy of the group.</p> <p>At Iberdrola, specific programmes are designed to equip its 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.</p> | Target | GRI Indicator | Description | Pag. |
| | 4.3.- By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. | 404-1 | Average hours of training per employee trained by gender. | 106 |
| | 4.4.- By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. | Own indicator | <i>Iberdrola U</i> programme. | 86 |
| | 4.4.- By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. | 404-1 Shift of SDG indicator C040501 | Average hours of training per employee trained. | 106 |
| 4.4.- By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. | 404-2 | Programmes for skills management and lifelong learning. | 104 | |

|  | Goal 5: Gender equality | | | |
|---|--|--|---|------|
| Achieve gender equality and empower all women and girls | | | | |
| <p>The development of labour relations based on equal opportunity, non-discrimination and respect for diversity are key goals in Iberdrola's <i>Human Resources Framework Policy</i>. The company also has an <i>Equal Opportunity and Reconciliation Policy</i>, which strengthens the commitments to equal treatment between men and women.</p> <p>The group's companies, in the various countries in which they operate, promote equal opportunity and respect diversity, effective equality between men and women in access to employment, training, promotion and working conditions.</p> <p>Iberdrola has appropriate procedures in place to prevent any discrimination for reasons of gender, marital status, pregnancy, sexual orientation or other any personal condition that is unrelated to job-performance requirements.</p> <p>The principles of non-discrimination and equal opportunity applied at the Iberdrola group are contained in both the <i>Code of Ethics</i> and in the global policies and procedures that have been approved and implemented (<i>Recruitment and Selection Policy, Equal Opportunity and Reconciliation Policy, etc.</i>) and in local collective bargaining agreements and policies.</p> <p>Iberdrola has been included in Bloomberg's 2018 GEI (Gender Equality Index) as one of the best companies recognised for its policies in favour of gender equality and its best practices in the area of work/life balance.</p> | Target | GRI Indicator | Description | Pag. |
| | 5.1.- End all forms of discrimination against all women and girls everywhere. | 401-3 | Return to work and retention rates after parental leave, by gender. | 113 |
| | | 404-1 | Average hours of training per employee trained by gender. | 106 |
| | | 405-1 | Composition of governance bodies and employees | 358 |
| | | 405-2 | Ratio of basic salary and remuneration of women to men. | 112 |
| | | 406-1 | Incidents of (gender) discrimination. | 192 |
| | 5.4.- Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate. | 401-3 | Return to work and retention rates after parental leave, by gender. | 113 |
| | 5.5.- Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. | 102-22 Shift of indicators C050501 and C050502 from SDGs | Composition of the highest governance body and its committees. | 30 |
| | | 102-24 | Selection and nomination of the members of the highest governance body. | 234 |

|  | Goal 6: Clean water and sanitation | | | |
|---|---|---|---|------|
| Ensure availability and sustainable management of water and sanitation for all | | | | |
| <p>Water is a basic and irreplaceable natural resource in many of Iberdrola's activities. The company's awareness of this dependency and of the risks arising from water shortages has led it to set itself the objective of ensuring an increasingly rational and sustainable use of this resource.</p> <p>The main actions taken by the group for a more sustainable use of water are:</p> <ul style="list-style-type: none"> - Limiting the volume of withdrawal and consumption of inland water in all technologies. - Establishing and controlling limits on 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. <p>During their respective life cycles, generation, transmission, distribution and sales activities cause interactions with various ecosystems, landscapes and species. For this reason, Iberdrola has a Biodiversity Policy establishing a commitment to progress in developing methods of analysis of effects and actions for the preservation of biodiversity into the planning and subsequent implementation of their activities.</p> | Target | GRI Indicator | Description | Pag. |
| | <p>6.3.- By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.</p> | 303-3 | Water recycled and reused (% of water used that is returned to the ecosystem in optimum conditions). | 145 |
| | | 303-3 | Water recycled and reused (% of water used that comes from waste water). | 145 |
| | | 306-1 | Total water discharge by quality and destination. | 146 |
| | | 306-2 | Total weight of waste by type and disposal method (hazardous and non-hazardous). | 147 |
| | <p>6.4.- By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p> | 303-1 Shift of indicator C060402 (hydraulic stress level) | Total water withdrawal by source (use and source of water). | 143 |
| | | 303-3 | Water recycled and reused. | 145 |
| | | 306-1 | Total water discharge by quality and destination. | 146 |
| | <p>6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.</p> | 306-5 | Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff. | 147 |

|  | Goal 8: Decent work and economic growth | | | |
|--|---|------------------------------------|---|------|
| Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all | | | | |
| <p>The policies defined for the management of human resources (<i>Human Resources Framework Policy, Recruitment and Selection Policy, Knowledge Management Policy, Equal Opportunity and Reconciliation Policy, Occupational Safety and Health Policy</i>) contain guidelines governing labour relations among the various companies of the group and serve as a reference to define the company's employment-related goals: maintaining employment guarantees and a stable relationship with workers; strengthening of occupational health and safety and training aspects; protection of diversity and equal opportunity in access to employment; promotion of professional development; and promotion of behaviour and attitudes among its entire workforce in line with principles of ethics and integrity.</p> <p>In relation to Iberdrola's commitment to defend human rights, the main goal is to incorporate the management thereof into the group's operations, thus forming an integral part of operating procedures. This focus is included in the Policy on Respect for Human Rights approved by the Board of Directors. The company's practices are in line with the Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework, the principles of the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, the International Labour Organization's Social Policy and the Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy.</p> <p>Iberdrola has designed a Human Rights Management Model in order to promote a culture of respect for human rights and to raise awareness in this area for all professionals, especially those who perform their activities in countries with a potentially higher risk of violation of these rights due to lax laws.</p> <p>The company also has other tools approved by the Board, such as the <i>Code of Ethics</i>, which governs the behaviour of all directors, including individuals appointed by corporate directors to represent them in the position, professionals and suppliers of the companies of the group, establishing control measures as well as disciplinary measures in the event of noncompliance, which must be expressly accepted to by all suppliers and is included as an annex to the respective contracts.</p> | Target | GRI Indicator | Description | Pag. |
| | 8.1.- Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries. | 201-1 | Direct economic value generated and distributed. | 291 |
| | 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors. | Own indicator | Investments in Innovation. | 177 |
| | | Own indicator | Research agreements with universities, technology centres, etc. | 177 |
| | 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services. | 204-1 | Spending on local suppliers. | 221 |
| | 8.4.- Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead. | 301-1 | Materials used for power generation. | 125 |
| | | 301-2 | Percentage of materials used that are recycled. | 125 |
| | | 302-4 | Reduction of energy consumption (efficiency). | 129 |
| | | 302-5 | Energy savings of green products and services. | 131 |
| | | 303-3 | Water recycled and reused. | 145 |
| Own indicator | | Corporate Environmental Footprint. | 122 | |

| | | | | |
|--|---|---|---|-----|
| | 8.5.- By 2030, achieve full and productive employment and decent work for all women and men , including for young people and persons with disabilities, and equal pay for work of equal value. | 102-8 | Information on employees by gender, employment type and contract type. | 23 |
| | | 202-1 Shift of indicator C080501 from SDG | Ratios of entry level wage to local minimum wage. | 88 |
| | 8.6.- By 2020, substantially reduce the proportion of youth not in employment, education or training. | 401-1 | New employee hires and employee turnover (by age and region). | 333 |
| | 8.7.- Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms. | 408-1 | Operations and suppliers identified as having significant risk for incidents of child labour. | 189 |
| | | 409-1 | Operations and suppliers identified as having significant risk for incidents of forced or compulsory labour. | 189 |
| | 8.8.- Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment. | 102-41 Shift of indicator C080802 from SDG. | Employees covered by collective bargaining agreements. | 332 |
| | | 407-1 | Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk. | 189 |
| | | 403-1 | Employees represented on formal health and safety committees (management/ employees). | 345 |
| | | 403-2 | Type of injury and rates of injury, occupational diseases, lost days, absenteeism and total number of work-related fatalities, by region and by gender. | 346 |

|  | Goal 9: Industry, innovation and infrastructure | | | |
|--|---|----------------------------------|--|------|
| Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation | | | | |
| <p>The electricity sector is a significant driver of the economy, to which it continuously contributes through significant investments and the creation of high-quality jobs, both direct and indirect. Its function is to provide safe, competitive and sustainable supply. Generation technologies using renewable sources are decisive in the fight against climate change, as they allow for increased electrification of the economy, thus reducing dependency on fossil fuels.</p> <p>Analysts describe a global scenario characterised by an increase in energy demand, tied to a need to reduce CO₂ emissions. Estimates call for high growth in demand in the medium and long term in emerging countries and moderate growth in the developed world. In any event, this energy transition will require extremely large investments in renewable generation facilities, in smart grids and in efficient storage; all accompanied by greater digitalization to support efficiency and the development of new products.</p> <p>Iberdrola's strategy, implemented more than a decade ago, has been based precisely on these growth vectors: investment in renewables, smart grids, efficient storage and digitalization. The strategic pillars defined by the company are profitable growth, operational excellence, customer-focused operations, the optimisation of capital, and innovation.</p> <p>Specifically, innovation is Iberdrola's primary tool for ensuring the company's sustainability, efficiency and competitiveness, based on:</p> <ul style="list-style-type: none"> - Disruptive technologies. - Digitalization and automation in all businesses and processes. - Innovation with start-ups, entrepreneurs and suppliers. - Culture of innovation and talent. | Target | GRI Indicator | Description | Pag. |
| | 9.1.- Develop quality, reliable, sustainable and resilient infrastructure , including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all. | 203-1 | Development and impact of infrastructure investments and services supported. | 73 |
| | | EU4 | Transmission and distribution lines Annual evolution. | 305 |
| | 9.4.- By 2030, upgrade infrastructure and retrofit industries to make them sustainable , with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities. | Own indicator | Installed capacity from renewable sources (MW). | 300 |
| | | Shift indicator C090401 from SDG | CO ₂ emissions by MWh. | 136 |
| | 9.5.- Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries , in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending. | Own indicator | Amount dedicated to R&D+i activities. | 177 |
| | | Own indicator | Agreements with universities and with scientific and technical organisations to improve facilities. | 177 |
| | 9.a.- Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing States. | Own indicator | Subsidies for the electrification of underdeveloped or developing countries ("Electricity for All" programme). | 185 |

|  | Goal 10: Reduced inequalities | | | |
|--|--|---------------|---|------|
| Reduce inequality within and among countries | | | | |
| <p>The group's companies, in the various countries in which they operate, promote equal opportunity and respect diversity, effective equality between men and women in access to employment, training, promotion and working conditions, and provide support to workers with diverse abilities, facilitating their integration into the workplace.</p> <p>The main goals in this area currently focus on:</p> <ul style="list-style-type: none"> - 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 to raise awareness of this group and to improve the quality of their life. | Target | GRI Indicator | Description | Pag. |
| | Target 10.2. By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. | Own indicator | Inclusion of people with disabilities in the workforce (no.). | 114 |
| | | Own indicator | Volunteer activities to reduce inequality. | 205 |
| | 10.3.- Ensure equal opportunity and reduce inequalities of outcome , including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard. | 102-8 | Information on employees and other workers (changes in workforce by gender, and type of employment and contract). | 23 |
| | | 401-1 | New employee hires and employee turnover (by age and region) Evolution of the workforce. | 333 |
| | | 404-3 | Employees receiving regular performance and career development reviews. | 355 |
| | | 405-2 | Ratio of basic salary and remuneration of women to men. | 112 |
| | | 406-1 | Incidents of discrimination. | 192 |
| | 10.b.- Encourage official development assistance and financial flows , including foreign direct investment, to States where the need is greatest, in particular least developed countries, African countries, small island developing States and landlocked developing countries, in accordance with their national plans and programmes. | 203-2 | Significant indirect economic impacts (Investments in developing countries). | 72 |
| | | 204-1 | Spending on local suppliers. | 221 |

|  | Goal 11: Sustainable cities and communities | | | |
|--|--|----------------------------------|--|------|
| Make cities and human settlements inclusive, safe, resilient and sustainable. | | | | |
| | Target | GRI Indicator | Description | Pag. |
| <p>Iberdrola has developed a Sustainable Mobility Plan with the ultimate goal of contributing to a rational use of the means of transportation and which is framed within the commitment made by the company in its <i>Sustainable Management Policy</i>, approved by the Board of Directors.</p> <p>The inclusive nature of the programme involves employees, the business activity, customers and suppliers, covering approximately 23 specific actions in which the company seeks to strengthen its wager on sustainability.</p> <p>These initiatives include Iberdrola's launch of a new edition of the <i>Electric Vehicle for Employees</i> programme in Spain and the United Kingdom and the pilot project launch in the United States, which consists of special advances and financial assistance for the purchase of electric vehicles. Thanks to this initiative, the local emission of 244 t CO_{2e} in employee travel to the work place in Spain and the United Kingdom was avoided in 2017.</p> <p>Iberdrola's commitment to sustainable mobility was recognised in 2017 with the award received at the V Best Mobility Practices Award delivered by Renault.</p> <p>Iberdrola's efforts to protect cultural heritage focus on the areas of preservation and restoration thereof, including specific activities in order for these projects to drive local development and sustainable tourism.</p> | <p>11.2.- By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.</p> | Own indicator | Promotion of the electric vehicle. | 140 |
| | <p>11.4.- Strengthen efforts to protect and safeguard the world's cultural and natural heritage.</p> | Shift indicator C110401 from SDG | LBG contribution to SDG 11. | 201 |
| | <p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.</p> | 305-1 | Direct greenhouse gas emissions. Scope 1 (per GHG Protocol). | 137 |
| | | 305-2 | Indirect greenhouse gas emissions. Scope 2 (per GHG Protocol). | 316 |
| | | 305-6 | Emissions of ozone-depleting substances. | 142 |
| | | 305-7 | NO _x , SO _x and other significant air emissions. | 317 |

|  | Goal 12: Responsible consumption and production | | | |
|---|---|----------------------------------|---|------|
| Ensure sustainable consumption and production patterns | | | | |
| <p>The Iberdrola group ensures optimisation in the use of energy throughout its entire energy chain (production, transmission, distribution, supply and end use), contemplating energy efficiency from a three-fold perspective:</p> <ul style="list-style-type: none"> - As an electricity generator and distributor, it seeks to improve efficiency by introducing the most advanced technologies and equipment in the generation, transportation and distribution of energy. - As an energy consumer, Iberdrola promotes the on-going improvement of energy efficiency across all its activities (offices and building, vehicles, water, mobility, employee awareness, etc.). - As an electricity supplier, it wishes to contribute to a more efficient use of energy by consumers, through information, promotion and supply of solutions and technologies that help them improve their energy efficiency and reduce the environmental impact of their energy habits and consumption. <p>As to information and labelling of electricity sold, Iberdrola is governed by the regulatory requirements established in each of the countries in which it does business. In Spain, the company informs its customers about the source of the energy sold by the retail supplier and the associated environmental impact thereof by means of a label included in the electricity bills and in advertising to customers. In the United Kingdom, ScottishPower also reports the origin of its energy and the environmental impact thereof. New customers receive this information as part of their Welcome Cycle communications, and existing customers receive this information in each invoice or notice, in accordance with the guarantees of origin rules established by Ofgem. There is no obligation to label electricity in the United States or Brazil.</p> <p>Iberdrola provides additional information as may be of help for consumers to make a more rational, efficient and safe use of these products.</p> | Target | GRI Indicator | Description | Pag. |
| | 12.2.- By 2030, achieve the sustainable management and efficient use of natural resources. | 302-3 | Energy intensity. | 126 |
| | | 302-4 | Reduction of energy consumption. | 129 |
| | | 302-5 | Reductions in energy requirements of products and services. | 131 |
| | | 303-3 | Water recycled and reused. | 145 |
| | | Shift indicator C120201 from SDG | Corporate environmental footprint. | 122 |
| | 12.4.- By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment. | 306-1 | Total water discharge by quality and destination. | 146 |
| | | 306-3 | Significant spills. | 162 |
| | 12.5.- By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse. | 301-2 | Level of reuse and recycling of materials. | 125 |
| | | 306-2 | Total weight of waste by type and disposal method. | 147 |
| | 12.6.- Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle. | Own indicator | Publication of Statement of Non-Financial Information. Sustainability Report. | 7 |
| | 12.8.- By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature. | Own indicator | Awareness-raising activities regarding climate change and renewable energy. | 134 |

|  | Goal 14: Life below water | | | |
|---|---|---------------|---|------|
| Conserve and sustainably use the oceans, seas and marine resources for sustainable development | | | | |
| <p>The oceans cover three quarters of the surface area of the Earth and 40% of this large mass of salt water is seriously affected as a result of human activity. According to the UN, water is deteriorating due to pollution and the accumulation of organic waste: each year close to 12 million tons of plastic end up in the sea.</p> <p>Beyond the serious environmental consequences of these practices, the economic and social development of our planet is also being seriously affected: more than 3,000 million people depend directly on marine and coastal biodiversity to survive (UN).</p> <p>Given this situation, Iberdrola adopts the newest technologies in order to protect undersea life in the areas around its facilities. It has engaged in various initiatives to preserve marine life around the offshore wind farms, as well as the insulation of undersea cables and noise mitigation for mammals.</p> <p>Among the more noteworthy activities, in 2018 ScottishPower developed the <i>Dolphin Watch</i> project, with disclosure and awareness-raising activities for the population, given them the opportunity to see bottlenose dolphins in their natural habitat, establishing a long-lasting connection with marine fauna.</p> | Target | GRI Indicator | Description | Pag. |
| | 14.1.- By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution. | 306-1 | Total water discharge by quality and destination. | 146 |
| | | 306-3 | Significant spills. | 162 |
| | 14.2.- By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans. | 304-1 | Operational sites owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas. | 155 |
| | | 304-2 | Significant impacts of activities, products and services on biodiversity. | 152 |
| | | 304-3 | Habitats protected or restored. | 157 |
| | 14.3.- Minimize and address the impacts of ocean acidification, including through enhanced scientific cooperation at all levels. | 305-1 | Direct greenhouse gas emissions. Scope 1 (per GHG Protocol). | 137 |
| | | 305-2 | Indirect greenhouse gas emissions. Scope 2 (per GHG Protocol). | 138 |
| | | 305-4 | Intensity of GHG emissions. | 135 |
| | | 305-5 | Reduction of GHG emissions. | 139 |
| | | 305-7 | NO _x , SO _x and other significant air emissions. | 132 |

|  | Goal 15: Life on land | | | |
|--|--|----------------------|---|-------------|
| Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss | | | | |
| <p>Natural capital, understood as natural resources affected in the performance of the company's activities, is one of the fundamental assets in the Iberdrola group's creation of value and a fundamental asset for all of its Stakeholders. During their respective life cycles, generation, transmission, distribution and sales activities cause interactions with various ecosystems, landscapes and species.</p> <p>Therefore, these ecosystems occupy a leading role in the business strategy through four priority lines of action:</p> <ul style="list-style-type: none"> - Mediation for the protection, preservation and sustainable use of natural capital. - Information through impact assessment and the development and application of guidelines on biodiversity for new projects. - Relations with Stakeholders, which seeks to consider the legitimate aspirations of the Stakeholders and develop action plans in accordance therewith. - Commitment to internal and external training, awareness-raising and communication. <p>Various instruments are used to carry out these lines of action, including:</p> <ul style="list-style-type: none"> - <i>Biodiversity Policy</i>: applicable in all of the geographic areas in which the Iberdrola group 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. - Environmental management systems certified in accordance with ISO 14001 or EMAS standards, in order to prevent and control environmental risks. - Corporate environmental footprint. | Target | GRI Indicator | Description | Pag. |
| | <p>15.1.- By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.</p> <p>15.5.- Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.</p> | 304-1 | Operational sites owned, leased, managed in or adjacent to, protected areas and areas of high biodiversity value outside protected areas. | 155 |
| | | 304-2 | Significant impacts of activities, products and services on biodiversity. | 152 |
| | | 304-3 | Habitats protected or restored. | 157 |
| | | 304-4 | Number of species broken down, based on danger of extinction, included in IUCN Red List species and national conservation list species with habitats in areas affected by operations. | 157 |
| | | 306-5 | Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff. | 147 |
| | <p>15.a.- Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.</p> | Own indicator | LBG contribution to SDG 15. | 203 |

|  | Goal 16: Peace, justice and strong institutions | | | |
|---|--|--|---|------|
| Promote peaceful and inclusive societies | | | | |
| <p>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 <i>Code of Ethics</i>, the <i>Crime Prevention Policy</i> and the <i>Anti-Corruption and Anti-Fraud Policy</i>, all of which have been approved by the Board of Directors.</p> <p>Within the framework of the Compliance System, various activities are carried out to encourage the organisation to act in accordance with the most stringent ethical standards and in accordance with applicable laws and regulations. In order to develop the <i>Crime Prevention Policy</i>, the company has implemented a specific and effective programme (the <i>Crime Prevention Programme</i>) 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.</p> <p>The company also has a <i>Protocol for Conduct in Professional Relations with Governments, Political Parties, Authorities and Public Officials</i> in order to strengthen the specific mechanisms already existing at the companies of the group to prevent any acts that might be considered corrupt or bribery in relations with said third parties.</p> <p>In addition, as part of the Compliance System, the Compliance Unit promotes the development and maintenance of other initiatives for compliance with the <i>Code of Ethics</i> and legal provisions on fraud and corruption, 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.</p> | Target | GRI Indicator | Description | Pag. |
| | 16.5 Substantially reduce corruption and bribery in all their forms. | 205-1 | Business units assessed for risks related to corruption | 247 |
| | | 205-2 | Training and communication on anti-corruption policies and procedures | 253 |
| | | 205-3 | Incidents of corruption. | 256 |
| | | 415-1 | Contributions to political parties or to related institutions. | 267 |
| | 16.6.- Develop effective, accountable and transparent institutions at all levels. | 102-23 | State whether the chair of the highest governance body is also an executive officer and the reasons for this arrangement. | 28 |
| | | 102-25 | Processes for the highest governance body to avoid conflicts of interest. | 286 |
| | 16.7.- Ensure responsive, inclusive, participatory and representative decision-making at all levels. | 102-21 | Consulting stakeholders on economic, environmental and social topics. | |
| | | 102-24 | Selection and nomination of the members of the highest governance body. | 234 |
| | | 102-29 | Identifying and managing economic, environmental and social impacts. | 236 |
| | | 102-37 | Stakeholders' involvement in remuneration. | 238 |
| | 16.b.- Promote and enforce non-discriminatory laws and policies for sustainable development. | 406-1 Shift indicator C200204 from SDG | Incidents of discrimination. | 192 |

|  | Goal 17: Partnerships for the goals | | | |
|---|--|---------------|--|------|
| Revitalise the Global Alliance for Sustainable Development | | | | |
| <p>Iberdrola participated with the Global Compact on numerous initiatives to promote and develop the Sustainable Development Goals, including topic support for the preparation of the book “SDGs, Year 2: Analysis, trends and business leadership”.</p> <p>Especially noteworthy is the Chair for the Sustainable Development Goals: since its creation in 2014, the Iberdrola/UPM Chair has engaged in numerous activities to strengthen the university/ company relationship model that can face the challenges of the international sustainability agenda. After the approval of the Sustainable Development Goals in 2015, the Universidad Politécnica de Madrid and Iberdrola have focused their activity on contributing to meeting these Goals. This department is configured as a space for shared learning and support for the implementation of the SDGs.</p> <p>Iberdrola and the Red Española del Pacto Mundial have developed the Moving for Climate NOW initiative, within the framework of the COP23 Climate Summit held in Bonn in November 2017. Similarly, Iberdrola has joined a number of initiatives, the most high profile of which are: Terrawatt, United Nations Climate, We mean business, CEO Climate Leaders (World Economic Forum), Un millón de Compromisos por el Clima (MAGRAMA), Comunidad por el Clima (Red Española Pacto Mundial), Carbon Pricing Leadership Coalition, World Business Council for Sustainable Development, Corporate Leaders Group, Grupo Español de Crecimiento Verde, Powering Past Coal Alliance, Plataforma Nacional de Acción Climática, Asociación Española para la Economía Energética, UN Global Compact (Action Platform).</p> <p>Iberdrola has 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.</p> | Target | GRI Indicator | Description | Pag. |
| | 17.1.- Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection. | Own indicator | Tax contribution. | 257 |
| | 17.3.- Mobilize additional financial resources for developing countries from multiple sources. | 203-2 | Significant indirect economic impacts. | 72 |
| | | 204-1 | Spending on local suppliers. | 221 |
| | 17.16.- Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries. | Own indicator | Participation in seminars, events and workshops to share best practices on SDGs | 46 |
| | | Own indicator | Performance of international cooperation projects together with other players. | 45 |
| | | Own indicator | SDG training and awareness-raising activities for employees, suppliers and other Stakeholders. | 37 |
| | 17.17.- Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships. | Own indicator | Number of volunteer activities performed. | 205 |
| | 17.19.- Build on existing initiatives to develop measurements of progress on sustainable development. | Own indicator | Annual publication of Statement of Non-Financial Information. Sustainability Report. | 7 |

Annex 3: Report on Green Financing Returns

Iberdrola has issued a total of 11 *green* bonds. The issue dates, as well as the principal characteristics thereof, are as follows:

| <i>Green bonds</i> | | | | | | | |
|--------------------|--|-------------------------|------------------|----------------------|-------------------------|-----------|----------------------|
| ISIN | Issue date | Issuer | Public / Private | Senior / Subordinate | Face value (€ millions) | Maturity | Coupon |
| XS1057055060 | 24-Apr-14 | Iberdrola International | Public | Senior | 750 | Oct-22 | 2.500% |
| XS1398476793 | 21-Apr-16 | Iberdrola International | Public | Senior | 1,000 | Apr-26 | 1.125% |
| XS1490726590 | 15-Sep-16 | Iberdrola International | Public | Senior | 700 | Sep-25 | 0.375% |
| XS1527758145 | 07-Dec-16 | Iberdrola Finanzas | Public | Senior | 750 | Mar-24 | 1.000% |
| XS1564443759 | 20-Feb-2017 (extended on 22-Jun-2017) | Iberdrola Finanzas | Private | Senior | 250 | Feb-24 | Euribor 3 M + 0.670% |
| XS1575444622 | 07-Mar-17 | Iberdrola Finanzas | Public | Senior | 1,000 | Mar-25 | 1.000% |
| XS1682538183 | 13-Sept-17 | Iberdrola Finanzas | Public | Senior | 750 | Sep-27 | 1.250% |
| XS1721244371 | 22-Nov-17 | Iberdrola International | Public | Subordinate | 1,000 | Perpetual | 1.875% |
| XS1797138960 | 26-Mar-18 | Iberdrola International | Public | Subordinate | 700 | Perpetual | 2.625% |
| XS1847692636 | 28-Jun-18 | Iberdrola Finanzas | Public | Senior | 750 | Oct-26 | 1.250% |
| XS1924319301 | 21-Dec-18 | Iberdrola Finanzas | Private | Senior | 44 | Dec-25 | 3.724% |

In November 2017 Iberdrola also issued a *green* bond in the U.S. market through its subsidiary Avangrid in the amount of 600 million U.S. dollars, with a coupon of 3.15%. Information on the projects that received the proceeds of this bond, as well as the environmental benefits achieved therefrom, are described in Avangrid's [Sustainability Report 2018](#).

In April 2018 Iberdrola México, a 100%-owned subsidiary of Iberdrola, also obtained a *green* bank loan with a number of international financial institutions in the amount of 400 million U.S. dollars, which was used to refinance the company's renewable assets in Mexico.

The proceeds of all of these transactions have been used to fund the refinancing of investments in projects that met certain environmental and sustainable development criteria validated both by Iberdrola and subsequently by VigeoEiris (an independent entity). These projects are mainly within the area of renewable energy.

Iberdrola used VigeoEiris as an independent expert in validating the "green" nature of its financing instruments. VigeoEiris issues its rating of the issuer not only with respect to the management of the selected projects, but also regarding its general environmental commitments and the sustainable development that it implements in the ordinary course of its business.

The methodology followed for the assignment of the various projects to different transactions is described in the document *Iberdrola Framework for green financing* (the “Framework”), which has been verified by PriceWaterhouseCoopers Auditores, who also verify this *Sustainability Report*. The principal sections contemplated in the *Framework* are described below.

1. Use of funds

The proceeds from the various *green* financing instruments are used to finance or refinance *Eligible Green Projects*.

Consistent with the *Green Bond Principles*, Iberdrola considers *Eligible Green Projects* to be those that meet the Eligibility Standards described in the Framework.

2. Evaluation and selection of the project

The Green Financing Committee selects and evaluates projects that are susceptible to (re)financing by *green* instruments. This selection and evaluation process is performed in 5 phases described in the Framework.

3. Management of funds

The proceeds from the *green* financing instruments will be managed based on the phase of development and expense incurred in the selected assets or projects. Therefore, Iberdrola distinguishes between two types: refinancing of projects in operation and (re)financing of projects under development.

4. Reporting

Iberdrola commits to report annually until the maturity date of each of the *green* bonds or *green* financing instruments.

5. External assurance

The *green* financing issued by Iberdrola is supported by three external reviews, depending on the type of instrument.

In the first bond, issued in 2014, the eligible projects were reviewed by VigeoEiris using an analysis of a sample that covered approximately 50% of the nominal value of the financing obtained. In subsequent financings, the complete inventory of assigned assets was provided for review. On all occasions, VigeoEiris also performed an analysis classifying Iberdrola’s sustainability policies and practices, finding that the required standards were met with a level of security that was more than satisfactory.

The conclusions of VigeoEiris, including the controversies identified in the issues, together with the eligibility standards, are described in the *Second Party Opinion* corresponding to each *green* transaction. In the case of the bonds¹⁴⁷, this information is available in the [Green Bonds](#) section of the corporate website.

Report on returns

The structure of this report on returns is grouped by benefits and indicators for each issue, so that investors can know the impact of the projects financed by each of them.

¹⁴⁷ Excludes the loans, as they are private contracts between a limited number of parties.

April 2014 Bond (ISIN code XS1057055060)

Assets allocated

| Area | Technology | Name of project | Location | Start-up year | Installed Capacity (MW) | Installed capacity attributable to the bond (MW) ¹⁵⁰ |
|--------------------------|--------------|---|----------------|---------------|-------------------------|---|
| Distribution | Networks | Renewable generation connection in Scotland | United Kingdom | 2011-2016 | N/A | N/A |
| Distribution | Networks | Strengthen international connection in Scotland | United Kingdom | 2011-2016 | N/A | N/A |
| Distribution | Networks | Castile-La Mancha photovoltaic connection plan | Spain | 2011-2014 | N/A | N/A |
| Distribution/Smart grids | Networks | STAR project | Spain | 2011-2018 | N/A | N/A |
| Renewables | Onshore wind | Pico Collalbas | Spain | 2006 | 30 | 30 |
| Renewables | Onshore wind | Carrascosa | Spain | 2006 | 38 | 29 |
| Renewables | Onshore wind | Sierra Menera | Spain | 2006 | 40 | 40 |
| Renewables | Onshore wind | Clares | Spain | 2006 | 32 | 32 |
| Renewables | Onshore wind | Escalón | Spain | 2006 | 30 | 17 |
| Renewables | Onshore wind | Tarayuela | Spain | 2006 | 30 | 20 |
| Renewables | Onshore wind | Morón de Almazán | Spain | 2006 | 50 | 15 |
| Renewables | Onshore wind | Los Campillos | Spain | 2006 | 34 | 26 |
| Renewables | Onshore wind | Dólar I | Spain | 2006 | 49 | 22 |
| Renewables | Onshore wind | Dólar III | Spain | 2006 | 49 | 8 |
| Renewables | Onshore wind | Doña Benita | Spain | 2006 | 32 | 1 |
| Renewables | Onshore wind | Ferreira II | Spain | 2006 | 49 | 7 |
| Renewables | Onshore wind | Hueneja | Spain | 2006 | 49 | 8 |
| Renewables | Onshore wind | Sil Expansion | Spain | 2006 | 40 | 8 |
| Renewables | Onshore wind | O Vieiro | Spain | 2006 | 20 | 1 |
| Renewables | Onshore wind | Luzón-Norte | Spain | 2006 | 38 | 9 |
| Renewables | Onshore wind | Bordecorex Norte | Spain | 2006 | 44 | 7 |
| Renewables | Onshore wind | Cerro Blanco | Spain | 2006 | 42 | 3 |
| Renewables | Onshore wind | Grijota | Spain | 2006 | 5 | 4 |
| Renewables | Onshore wind | Cabezuelo | Spain | 2006 | 30 | 22 |
| Renewables | Onshore wind | Mark Hill | United Kingdom | 2011 | 56 | 12 |
| Renewables | Onshore wind | Collados | Spain | 2011 | 11 | 10 |
| Renewables | Onshore wind | Fuentesalada | Spain | 2011 | 46 | 44 |
| Renewables | Onshore wind | Cruz de Carrutero | Spain | 2011 | 40 | 30 |
| Renewables | Onshore wind | Cabras | Spain | 2012 | 22 | 22 |
| Renewables | Onshore wind | Ventosa del Ducado | Spain | 2012 | 44 | 0 |
| Renewables | Onshore wind | Layna | Spain | 2012 | 50 | 50 |

148 Installed capacities attributable to each Green Bond take into account the proportion represented by the allocated amount of the total investment in each of them.

Total amount invested by area

| Area | Investment allocated to the bond (€ millions) |
|--------------------------|---|
| Distribution | 94 |
| Distribution/Smart grids | 80 |
| Renewables | 576 |
| Total | 750 |

Sustainability indicators in the area of distribution

| Name of project | Increase in capacity within the horizon of the investment plan (MW) |
|---|---|
| Renewable generation connection in Scotland | 2,167 |
| Strengthen international connection in Scotland | 6,640 |
| Castile-La Mancha photovoltaic connection plan | 604 |

Sustainability indicators in the area of smart grids

| STAR Project | Status as of 2011 ¹⁴⁹ | 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 in the area of renewable energy¹⁵⁰

| Installed capacity attributable to the bond (MW) | 2018 output attributable to the bond (GWh) | CO ₂ avoided due to the bond (Tm) ¹⁵¹ |
|--|--|---|
| 478 | 1,000 | 220,493 |

149 Takes data from 2011 and 2012 in order to allow for identification of profits from investments made.

150 Emissions avoided take into account the percentage of production of each facility that corresponds to the percentage of the amount invested and installed capacity allocated to each *green* bond issue.

151 Emissions avoided, reported throughout this Annex 2: Report on green financing returns, have been calculated as a product of 2018 production attributable to the bond and the emission factor for the country in which the assets are geographically located. Sources: REE, DEFRA, Eurostat 2016 (January 2019) Greenhouse gas emissions by source sector (source EEA): <http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do>.

April 2016 Bond (ISIN code XS1398476793)

Assets allocated

| Area | Technology | Name of project | Location | Start-up year | Installed Capacity (MW) | Installed capacity attributable to the bond (MW) |
|------------|--------------|----------------------|----------------|---------------|-------------------------|--|
| Renewables | Onshore wind | Alvao | Portugal | 2009 | 42 | 42 |
| Renewables | Onshore wind | Puerto de Malaga | Spain | 2008 | 12 | 12 |
| Renewables | Onshore wind | Cortijo Linera | Spain | 2008 | 28 | 28 |
| Renewables | Onshore wind | Cabezas | Spain | 2009 | 17 | 17 |
| Renewables | Onshore wind | Centenar | Spain | 2009 | 40 | 40 |
| Renewables | Onshore wind | Majal Alto | Spain | 2009 | 50 | 50 |
| Renewables | Onshore wind | Retuerta | Spain | 2009 | 38 | 38 |
| Renewables | Onshore wind | Saucito | Spain | 2009 | 30 | 30 |
| Renewables | Onshore wind | Tallisca | Spain | 2009 | 40 | 40 |
| Renewables | Onshore wind | Valdefuentes | Spain | 2009 | 28 | 28 |
| Renewables | Onshore wind | Torrecilla | Spain | 2009 | 16 | 16 |
| Renewables | Onshore wind | Coterejon II | Spain | 2009 | 6 | 6 |
| Renewables | Onshore wind | Altamira | Spain | 2009 | 49 | 49 |
| Renewables | Onshore wind | Lirios | Spain | 2010 | 48 | 48 |
| Renewables | Onshore wind | Nogueira | Spain | 2010 | 3 | 3 |
| Renewables | Onshore wind | Alto de la Degollada | Spain | 2010 | 50 | 50 |
| Renewables | Onshore wind | Gomera | Spain | 2010 | 12 | 12 |
| Renewables | Onshore wind | Savalla | Spain | 2010 | 18 | 18 |
| Renewables | Onshore wind | Conesa II | Spain | 2011 | 32 | 32 |
| Renewables | Onshore wind | Espartal | Spain | 2012 | 6 | 6 |
| Renewables | Onshore wind | Torrecilla II | Spain | 2012 | 22 | 22 |
| Renewables | Onshore wind | Gomera II | Spain | 2012 | 6 | 6 |
| Renewables | Onshore wind | Las Cabras | Spain | 2012 | 22 | 22 |
| Renewables | Onshore wind | Ventosa del Ducado | Spain | 2012 | 44 | 0 |
| Renewables | Onshore wind | Arcleoch | United Kingdom | 2011 | 120 | 120 |

Total amount invested by area

| Area | Investment allocated to the bond (€ millions) |
|------------|--|
| Renewables | 1,000 |

Sustainability indicators

| Installed capacity attributable to the bond (MW) | 2018 output attributable to the bond (GWh) | CO ₂ avoided due to the bond (Tm) |
|--|--|--|
| 736 | 1,384 | 324,862 |

September 2016 Bond (ISIN code XS1490726590)

Assets allocated

| Area | Technology | Name of project | Location | Start-up year | Installed Capacity (MW) | Installed capacity attributable to the bond (MW) |
|------------|--------------|------------------------|----------------|---------------|-------------------------|--|
| Renewables | Onshore wind | Whitelee Ext | United Kingdom | 2012 | 217 | 139 |
| Renewables | Onshore wind | Middleton | United Kingdom | 2013 | 12 | 12 |
| Renewables | Onshore wind | Lynemouth | United Kingdom | 2012 | 26 | 26 |
| Renewables | Onshore wind | Beinn An Tuirc 2 | United Kingdom | 2013 | 44 | 44 |
| Renewables | Onshore wind | Carland Cross Ext | United Kingdom | 2013 | 20 | 20 |
| Renewables | Onshore wind | Coal Clough Repowering | United Kingdom | 2014 | 16 | 16 |
| Renewables | Onshore wind | Blacklaw Ext | United Kingdom | 2016 | 38 | 38 |
| Renewables | Onshore wind | Blacklaw Ext Ph2 | United Kingdom | 2016 | 25 | 25 |
| Renewables | Onshore wind | Dersalloch | United Kingdom | 2016 | 69 | 69 |
| Renewables | Onshore wind | Ewe Hill | United Kingdom | 2016 | 14 | 14 |

Total amount invested by area

| Area | Investment allocated to the bond (€ millions) |
|------------|--|
| Renewables | 700 |

Sustainability indicators

| Installed capacity attributable to the bond (MW) | 2018 output attributable to the bond (GWh) | CO ₂ avoided due to the bond (Tm) |
|--|--|--|
| 403 | 805 | 227,687 |

December 2016 Bond (ISIN code XS1527758145)

Assets allocated

| Area | Technology | Name of project | Location | Start-up year | Installed Capacity (MW) | Installed capacity attributable to the bond (MW) |
|------------|--------------|-----------------|----------|---------------|-------------------------|--|
| Renewables | Onshore wind | Doña Benita | Spain | 2008 | 32 | 31 |
| Renewables | Onshore wind | Sabina | Spain | 2008 | 48 | 48 |
| Renewables | Onshore wind | Vieiro | Spain | 2008 | 20 | 20 |
| Renewables | Onshore wind | Argañoso | Spain | 2009 | 22 | 21 |
| Renewables | Onshore wind | Bullana | Spain | 2009 | 38 | 36 |
| Renewables | Onshore wind | Carril | Spain | 2008 | 28 | 27 |
| Renewables | Onshore wind | Cerro Blanco | Spain | 2009 | 42 | 37 |
| Renewables | Onshore wind | Cotera | Spain | 2009 | 18 | 17 |
| Renewables | Onshore wind | Paramo Vega | Spain | 2009 | 18 | 17 |
| Renewables | Onshore wind | Radona I | Spain | 2009 | 24 | 23 |
| Renewables | Onshore wind | Radona II | Spain | 2009 | 32 | 30 |
| Renewables | Onshore wind | Sombrio | Spain | 2008 | 28 | 27 |
| Renewables | Onshore wind | Valdecarrion | Spain | 2010 | 34 | 32 |
| Renewables | Onshore wind | Valdeperondo | Spain | 2010 | 46 | 44 |
| Renewables | Onshore wind | Viñas | Spain | 2010 | 38 | 36 |
| Renewables | Onshore wind | Bolaños | Spain | 2008 | 24 | 24 |
| Renewables | Onshore wind | Dos Pueblos | Spain | 2008 | 20 | 20 |
| Renewables | Onshore wind | Nacimiento | Spain | 2008 | 24 | 24 |
| Renewables | Onshore wind | Tacica de Plata | Spain | 2008 | 26 | 26 |

Total amount invested by area

| Area | Investment allocated to the bond (€ millions) |
|------------|---|
| Renewables | 750 |

Sustainability indicators

| Installed capacity attributable to the bond (MW) | 2018 output attributable to the bond (GWh) | CO ₂ avoided due to the bond (Tm) |
|--|--|--|
| 540 | 1,128 | 247,033 |

February 2017 Bond (ISIN code XS1564443759)

Assets allocated

| Area | Technology | Name of project | Location | Start-up year | Installed Capacity (MW) | Installed capacity attributable to the bond (MW) |
|---------------------------|--------------|-----------------|----------|---------------|-------------------------|--|
| Renewables | Onshore wind | Bureba | Spain | 2010 | 12 | 11 |
| Renewables | Onshore wind | Cueza | Spain | 2010 | 8 | 8 |
| Renewables | Onshore wind | Candal | Spain | 2012 | 44 | 24 |
| Renewables | Onshore wind | Cerro Higuera | Spain | 2009 | 38 | 30 |
| Renewables | Solar | Puertollano | Spain | 2009 | 50 | 36 |
| Renewables ¹⁵² | Onshore wind | Venta III | Mexico | 2012 | 103 | 49 |
| Renewables ¹²⁹ | Onshore wind | Dos Arbolitos | Mexico | 2015 | 70 | 42 |

Total amount invested by area

| Area | Investment allocated to the bond (€ millions) |
|------------|---|
| Renewables | 250 |

Sustainability indicators

| Installed capacity attributable to the bond (MW) | 2018 output attributable to the bond (GWh) | CO ₂ avoided due to the bond (Tm) |
|--|--|--|
| 165 | 237 | 63,533 |

¹⁵² As a result of the sale of the interest of Iberdrola Renovables Castilla-La Mancha, S.A. (Sociedad Unipersonal) in the capital of Iberdrola Energía Solar de Puertollano, S.A., this asset replaces the prior one effective 1 December 2018. The time that each asset has been assigned to the transaction during the year has been taken into account to calculate production and CO₂ avoided attributable to the bond.

March 2017 Bond (ISIN code XS1575444622)

Assets allocated

| Area | Technology | Name of project | Location | Start-up year | Installed Capacity (MW) | Installed capacity attributable to the bond (MW) |
|------------|---------------|--------------------|----------|---------------|-------------------------|--|
| Renewables | Onshore wind | Valdelanave | Spain | 2012 | 10 | 6 |
| Renewables | Onshore wind | Ventosa del Ducado | Spain | 2012 | 44 | 42 |
| Renewables | Onshore wind | Peñaflor III | Spain | 2012 | 49 | 49 |
| Renewables | Onshore wind | Peñaflor IV | Spain | 2012 | 49 | 49 |
| Renewables | Offshore wind | Wikingen | Germany | 2017 | 350 | 195 |

Total amount invested by area

| Area | Investment allocated to the bond (€ millions) |
|------------|---|
| Renewables | 1,000 |

Sustainability indicators

| Installed capacity attributable to the bond (MW) | 2018 output attributable to the bond (GWh) | CO ₂ avoided due to the bond (Tm) |
|--|--|--|
| 340 | 794 | 313,010 |

September 2017 Bond (ISIN code XS1682538183)

Assets allocated

| Area | Technology | Name of project | Location | Start-up year | Installed Capacity (MW) | Installed capacity attributable to the bond (MW) |
|------------|---------------|-----------------|----------------|---------------|-------------------------|--|
| Renewables | Onshore wind | Whitelee Ext | United Kingdom | 2012 | 217 | 78 |
| Renewables | Onshore wind | Clachan Flats | United Kingdom | 2009 | 15 | 15 |
| Renewables | Onshore wind | Mark Hill | United Kingdom | 2011 | 56 | 44 |
| Renewables | Onshore wind | Ewe Hill 16 | United Kingdom | 2017 | 22 | 8 |
| Renewables | Onshore wind | Hare Hill Ext | United Kingdom | 2017 | 33 | 30 |
| Renewables | Offshore wind | Wikinger | Germany | 2017 | 350 | 104 |

Total amount invested by area

| Area | Investment allocated to the bond (€ millions) |
|------------|---|
| Renewables | 750 |

Sustainability indicators

| Installed capacity attributable to the bond (MW) | 2018 output attributable to the bond (GWh) | CO ₂ avoided due to the bond (Tm) |
|--|--|--|
| 279 | 587 | 223,618 |

November 2017 Bond (ISIN code XS1721244371) (hybrid)

Assets allocated

| Area | Technology | Name of project | Location | Start-up year | Installed Capacity (MW) | Installed capacity attributable to the bond (MW) |
|------------|--------------|-----------------|----------------|---------------|-------------------------|--|
| Renewables | Onshore wind | Whitelee | United Kingdom | 2008 | 322 | 251 |
| Renewables | Onshore wind | Harestanes | United Kingdom | 2014 | 136 | 136 |
| Renewables | Onshore wind | Kilgallioch | United Kingdom | 2017 | 239 | 239 |
| Renewables | Onshore wind | Glen App | United Kingdom | 2017 | 22 | 22 |

Total amount invested by area

| Area | Investment allocated to the bond (€ millions) |
|------------|---|
| Renewables | 1,000 |

Sustainability indicators

| Installed capacity attributable to the bond (MW) | 2018 output attributable to the bond (GWh) | CO ₂ avoided due to the bond (Tm) |
|--|--|--|
| 648 | 1,309 | 370,542 |

March 2018 Bond (ISIN code XS1797138960) (hybrid)

Assets allocated

| Area | Technology | Name of project | Location | Start-up year | Installed Capacity (MW) | Installed capacity attributable to the bond (MW) |
|------------|---------------|-----------------|----------------|---------------|-------------------------|--|
| Renewables | Offshore wind | EAST ANGLIA | United Kingdom | 2020 | 714 | 225 |

Total amount invested by area

| Area | Investment allocated to the bond (€ millions) |
|------------|---|
| Renewables | 700,000 |

Sustainability indicators

| Installed capacity attributable to the bond (MW) | 2018 output attributable to the bond (GWh) | CO ₂ avoided due to the bond (Tm) |
|--|--|--|
| 225 | 0 | 0 |

June 2018 Bond (ISIN code XS1847692636)

Assets allocated

| Area | Technology | Name of project | Location | Start-up year | Installed Capacity (MW) | Installed capacity attributable to the bond (MW) |
|------------|---------------|-----------------|----------------|---------------|-------------------------|--|
| Renewables | Offshore wind | EAST ANGLIA | United Kingdom | 2020 | 714 | 241 |

Total amount invested by area

| Area | Investment allocated to the bond (€ millions) |
|------------|---|
| Renewables | 750,000 |

Sustainability indicators

| Installed capacity attributable to the bond (MW) | 2018 output attributable to the bond (GWh) | CO ₂ avoided due to the bond (Tm) |
|--|--|--|
| 241 | 0 | 0 |

December 2018 Bond (ISIN code XS1924319301)

Assets allocated

| Area | Technology | Name of project | Location | Start-up year | Installed Capacity (MW) | Installed capacity attributable to the bond (MW) |
|------------|--------------|-----------------|----------|---------------|-------------------------|--|
| Renewables | Onshore wind | Dos Arbolitos | México | 2015 | 70 | 25 |

Total amount invested by area

| Area | Investment allocated to the bond (€ millions) |
|------------|---|
| Renewables | 44.000 |

Sustainability indicators

| Installed capacity attributable to the bond (MW) | 2018 output attributable to the bond (GWh) | CO ₂ avoided due to the bond (Tm) |
|--|--|--|
| 25 | 81 | 46.874 |

April 2018 loan (Iberdrola Mexico)

Assets allocated

| Area | Technology | Name of project | Location | Start-up year | Installed Capacity (MW) | Installed capacity attributable to the loan (MW) |
|------------|--------------|-----------------|----------|---------------|-------------------------|--|
| Renewables | Onshore wind | VENTOSA | México | 2009 | 101,9 | 101,9 |
| Renewables | Onshore wind | BII NEE STIPA | México | 2010 | 26,35 | 26,35 |
| Renewables | Onshore wind | VENTA III | México | 2012 | 102,85 | 54 |

Total amount invested by area

| Area | Investment allocated to the bond (€ millions) |
|------------|---|
| Renewables | 325.000 ¹⁵³ |

Sustainability indicators

| Installed capacity attributable to the bond (MW) | 2018 output attributable to the bond (GWh) | CO ₂ avoided due to the bond (Tm) |
|--|--|--|
| 182 | 483 | 281.236 |

¹⁵³ Exchange rate used €1 = \$1.23 (April 2018).

External Independent Assurance Report on Green Financing



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT ASSURANCE REPORT

To the Management of Iberdrola S.A.:

We have carried out our work to provide a limited assurance on the information related to (re)financed project of the Green Bonds in 2014, 2016, 2017 and 2018 (ISIN XS1057055060, ISIN XS1398476793, ISIN XS1490726590, ISIN XS1527758145, ISIN XS1564443759, ISIN XS1575444622, ISIN XS1682538183, ISIN XS1721244371, ISIN XS1797138960, ISIN XS1847692636 and ISIN XS1924319301) issued by Iberdrola International B.V. and Iberdrola Finanzas, S.A.U. (hereinafter, "the Bonds"), as well as the subscription of a green bank loan by Iberdrola Mexico contained in the "Annex 3: Report on green financing returns" of the 2018 Statement of Non Financial Information – Sustainability Report of Iberdrola, S.A. and its subsidiaries (hereinafter, "Iberdrola") for the year ended 31 December 2018, and prepared in accordance with the "Iberdrola Framework for Green Financing" document (hereinafter, "the Framework"), available in the web page <https://www.iberdrola.com/shareholders-investors/investors/fixed-income/information-related-to-green-bonds>.

The aspects of the information subject of our review are the following:

- The application of the eligibility criteria in the projects financed by the Bonds described in the Framework, and the final list of assets or projects re(financed).
- The allocation of the funds obtained through the Bonds to the assets or projects financed by them and that the capital invested in the refinanced assets or projects is attributable to the Bonds.
- The verification that the sustainability indicators are prepared in accordance with their calculation methodology, defined in the mentioned Annex 3, including the description of material exceptions.
- Verification that the information related to the "controversies" referred to in Annex 3, is included in the "Second Party Opinion" of those public bond issued, as indicated in "the Framework", at the time of the issuance of the Bonds published on the website <https://www.iberdrola.com/shareholders-investors/investors/fixed-income/information-related-to-green-bonds>.

Responsibility of Management

Management of Iberdrola is responsible for the preparation, content and presentation of the "Annex 3: Report on green financing returns", in accordance with the requirements included in the Framework in which the eligibility criteria of the projects, the allocation of funds, the sustainability indicators and the information related to the "controversies" are described.

Management's responsibility includes establishing, implementing and maintaining the internal control required to ensure that the information included in the "Annex 3: Report on green financing returns" is free from any material misstatement due to fraud or error.

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Management of Iberdrola is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the mentioned Annex 3, is obtained.

Our responsibility

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the International Standard on Assurance Engagements 3000 (Reviewed) "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The scope of a limited assurance engagement is substantially less extensive than the scope of a reasonable assurance engagement and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling test. The general procedures employed are described below:

- Meetings with Iberdrola's personnel from various departments who have been involved in the preparation of the "Annex 3: Report on green financing returns" of the 2018 Statement of Non Financial Information – Sustainability Report in order to know the characteristics of the projects (re)financed by the Bonds, the internal management procedures and systems in place, the data collection process and the environment control.
- Verification of the application of the eligibility criteria, described in the Framework, for the selection of projects (re)financed by the Bonds.
- Analysis of the procedures used for gathering and validating the information and data presented in the sustainability indicators included in the "Annex 3: Report on green financing returns" of the 2018 Statement of Non Financial Information – Sustainability Report.
- Verification of the traceability of the funds obtained through the Bonds to finance projects and verification that the investments undertaken by Iberdrola in the projects refinanced have been made in accordance with the Framework criteria.
- Verification that the information related to the "controversies" referred to in Annex 3 is included in the "Second Party Opinion" for the public Green Bonds issued.
- Verification through random sampling tests revisions and substantive tests of the information related to sustainability indicators. We have also verified whether they have been appropriately compiled from the data provided by Iberdrola's sources of information.
- Obtainment of a management representation letter from the Directors.

Our Independence and Quality Control

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standard Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.



Limited and moderate assurance conclusion

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that:

- The list of assets or projects financed by the Bonds included in Annex 3 does not comply, in all its significant aspects, with the eligibility criteria described in the Framework.
- The funds obtained through the Bonds have not been assigned to the assets or projects financed by them and that the capital invested in the refinanced assets or projects is not attributable to the Bonds.
- The sustainability indicators contain significant errors or have not been prepared, in all their significant aspects, in accordance with what is indicated in the Framework and as indicated in Annex 3 in relation to its calculation.
- The "controversies" referred to in the Annex 3, have not been included in the "Second Party Opinion" at the time of issuance of public Green Bonds.

Use and distribution

Our report is only issued to the Management of Iberdrola, in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than Iberdrola's Management.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Pablo Bascones

22 February 2019

Annex 4: External Independent Assurance Report on the Sustainability Report



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT VERIFICATION REPORT

To the shareholders Iberdrola, S.A.:

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying Statement of Non-Financial Information –Sustainability Report attached (“SNFI”) for the year ended 31 December 2018 of Iberdrola, S.A. and subsidiaries (Iberdrola or the Group or the Company) which forms part of Iberdrola’s 2018 Consolidated Directors’ Report.

The content of the SNFI includes additional information to that required by current commercial legislation on non-financial reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in the tables included in the section “III About this report: Statement of Non-Financial Information and GRI Content Index” in the accompanying SNFI.

Likewise, we have carried out a moderate assurance engagement of the application of the principles of inclusivity, materiality and responsiveness, related to the information included in the section “Stakeholder engagement” of the SNFI attached, in accordance with the provisions of the 2008 Accountability Principles Standard AA1000 (AA1000APS) issued by AccountAbility.

Responsibility of the Board of Directors

The preparation of the SNFI included in Iberdrola’s Consolidated Directors’ Report, and the content thereof are the responsibility of the Board of Directors of Iberdrola, S.A.. The SNFI has been drawn up in accordance with the provisions of current commercial legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative (“GRI Standards”) in accordance with the Comprehensive Option, and Electric Utilities Sector Disclosures of the GRI Guidelines version G4 (hereinafter, Electric Utilities Sector Disclosures), in line with the details provided for each matter in the table included in the section “ III About this report: Statement of Non-Financial Information and GRI Content Index” included in SNFI’s Annex.

This responsibility also includes the design, implementation and maintenance of the internal control that is considered necessary to ensure SNFI is free from material misstatement, due to fraud or error.

The directors of Iberdrola, S.A. are also responsible for ensuring the definition, implementation, adaptation and maintenance of the management systems from which the information required to prepare the SNFI is obtained, and also for the application of AA1000APS (2008) principles.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (“IESBA”) which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance verification report based on the work carried out in relation solely to fiscal year 2018. The data relating to previous years were not subject to the verification envisaged in current commercial legislation. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors (“Instituto de Censores Jurados de Cuentas de España”). We have also carried out our moderate assurance engagement (type 2) in accordance with the 2008 AA1000 Assurance Standard (AA1000AS) issued by AccountAbility.

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are more restricted than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to Management and several Iberdrola’s units that were involved in the preparation of the SNFI, in the review of the processes for compiling and validating the information presented in the SNFI and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with Iberdrola personnel to ascertain the business model, policies and management approaches applied and the main risks related to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the content included in the SNFI based on the materiality analysis carried out by Iberdrola and described in the “III About this report: Defining Report Content. Materiality Analysis” section, and considering the content required under current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in SNFI for 2018.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the SNFI for 2018.
- Analysis of the documentation and actions related to the application of the inclusivity, materiality and responsiveness principles of the AA1000APS (2008).
- Verification, through sample testing, of the information relating to the content of the SNFI for 2018 and its adequate compilation using data supplied by Iberdrola’s information sources.
- Obtainment of a management representation letter from the Company.



Conclusions

Based on the procedures performed and the evidence we have obtained, no matters have come to our attention which may lead us to believe that:

- Iberdrola's SNFI for the year ended 31 December 2018 has not been prepared, in all of their significant matters, in accordance with the provisions of current commercial legislation and with the GRI Standards in accordance with the Comprehensive Option, and Electric Utilities Sector Disclosures, in line with the details provided for each matter in the table included in the section "III About this report: Statement of Non-Financial Information and GRI Content Index" in the accompanying SNFI.
- The information included in the section "Stakeholder engagement" of the Iberdrola's SNFI, regarding the application of the principles of inclusivity, materiality and responsiveness, has not been prepared, in all of their significant matters, in accordance with the provisions of the AA1000APS (2008).

Recommendations

Regarding the observations and recommendations for improvements that have come to our attention during our assurance engagement, set out below is a summary of the main recommendations regarding improvements to the application of the AA1000APS (2008) principles of inclusivity, materiality and responsiveness, which do not alter our limited or moderate assurance conclusions given in this report.

Inclusivity

Iberdrola, as a company committed to the promotion and improvement of the relationship with its stakeholders, approved in 2016 its Stakeholder Engagement Model as a procedure for Iberdrola Group to establish relations with the stakeholders in the same way, understanding the particularities and singularities of each country and business.

In 2018, following the global implementation of the Model in the 8 stakeholders and in the 3 businesses of the five reference countries, progress was made in identifying Substakeholders within the 8 stakeholders and the existing engagement channels with these subgroups. Likewise, the Substakeholders have been prioritised according to their impact/influence on the Company, their alignment with the Company and their social influence.

In this respect, it is recommended to advance in the alignment between the priority of the Substakeholders and the engagement channels used with them, exploring differential and innovative engagement channels with the most priority Substakeholders. In addition, as a good practice, it is recommended to include in the Statement of Non-financial Information - Sustainability Report more information on how the participation of Stakeholders in the Company's decisions is promoted and favoured throughout the year.

Materiality

Compared to the previous year, this time the relevant issues have been prioritised taking into account their risk and opportunity and the main trends have been detected, both for Stakeholders and for businesses.



In addition, in 2018 a first alignment exercise was carried out between the relevant issues identified at subgroup, country and business level through the Iberdrola Model and global materiality analysis, to ensure the capture of the same relevant issues and identify possible differences. In the future, it is recommended to deepen this alignment exercise, especially in relation to the priority of the relevant issues, ensuring the capture of the real expectations of stakeholders and contrasting with them the priority of each of them.

Responsiveness

Iberdrola, in its Statement of Non-financial Information - Sustainability Report 2018, reflects the way in which the Model is able, through its ten phases, to respond in a systematic and unified manner for the entire organization to the expectations of its Stakeholders in time and form according to its priority. In this sense, it is recommended that the responses to stakeholder expectations are monitored through objective and measurable indicators that allow their adaptation to the needs of the Stakeholders to be evaluated and that these are increasingly integrated into the definition of these responses.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Pablo Bascones

22 February, 2019



Contact point for questions regarding the report

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General questions regarding this report may be addressed to Iberdrola's Social Responsibility Division at C/ Tomás Redondo, 1 - 28033 Madrid - Spain, or via responsabilidad_social@iberdrola.es.

Specific questions relating to the environment may be addressed to Iberdrola's Innovation, Sustainability and Quality 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, available channels of contact, customer service and the query mailboxes can be found in the [Contact](#) section of the website.

Statement of Non-Financial Information.
Sustainability Report Financial year 2018.

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