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# Environmental Policy

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Look after the Environment.  
Print in black and white, and only if necessary.

## ENVIRONMENTAL POLICY

The Board of Directors of IBERDROLA, S.A. (the “**Company**”) is vested with responsibility for developing the strategy and approving the *Corporate Policies* of the Company and for organising the internal control systems. It approves this *Environmental Policy* in the exercise of these responsibilities and its social responsibility, and in line with the values of the Company and its culture of respect for the environment.

### 1. Purpose

The *Environmental Policy* is intended to extend to all stakeholders related to the Company and to the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “**Group**”) its aspiration of being the preferred global energy company, among other reasons, because of its protection of the environment.

In this regard, the Board of Directors of the Company recognises considers the environment as a determining factor in all human activities and a factor in competitiveness for companies, particularly in its industry, the environmental impact of which is generally recognised and is more significant in connection with climate change and biodiversity. In addition, the Board of Directors of the Company recognizes the Company’s potential for contributing to the conservation and protection of the environment.

The growing social demand in favour of the preservation of the environment, ever more stringent regulatory requirements, and constant scrutiny of management by analysts, assessors, and various agents of civil society determine the environmental context in which the Company operates.

### 2. Scope of Application

This *Environmental Policy* applies to all companies of the Group, as well as to all investees not belonging to the Group over which the Company has effective control, within the lawfully established limits.

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

This *Environmental Policy* shall also apply, to the extent relevant, to the contractors acting in the name of the Company, as well as to the joint ventures, temporary joint ventures (*uniones temporales de empresas*), and other equivalent associations, if the Company assumes the management thereof.

The management bodies of the various companies making up the Group are responsible for the determination and implementation of the *Environmental Policy*, in accordance with the corporate and governance structures and the business model of the Group defined in the *Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation*.

### 3. Environmental Commitments

The development of clean energy and respect for the environment are the pillars of the Group’s energy production model and the factor that distinguishes the Company I the energy sector as one of the leading companies worldwide.

The Company considers this environmental dimension as a priority for the Company 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 and an ally of balanced development.

Accordingly, aware of the importance of this factor in carrying out its corporate mission for its customers and shareholders and for other significant stakeholders with whom it interacts, the Company and the companies belonging to the Group undertake to promote 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 and to their customers, thus harmonizing the conduct of their activities with the legitimate right of current and future generations to enjoy an adequate environment.

The Group also optimises the management of hazardous and non-hazardous waste through systems that set objectives and goals on, among other aspects, waste reduction, the use of best practices, and the use of recycled materials.

### 4. Instruments for the Adoption and Promotion of Environmental Commitments

The environmental commitments of the Group are promoted through:

- a) An organizational structure with clearly defined responsibilities in connection with the environment and sustainability in general.
- b) This *Environmental Policy* and other specific policies relating to significant specific aspects, such as biodiversity and climate change.
- c) The consideration of the environmental variable in risk control and management policies.
- d) A global environmental management system.
- e) The funding of specific budgets.
- f) The periodic preparation of specific strategic plans that determine strategic priorities and key matters relating to the environment.
- g) The establishment of environmental goals.
- h) Training of and provision of information to officers and employees.
- i) Participation in international initiatives, ratings, and indices relating to sustainability and the environment.

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All of the foregoing such that the various levels of the organisation gradually make consideration and respect for the environment a part of the planning and subsequent implementation of all the actions of the Company and to which all employees contribute with their daily work for the achievement of the goals set in this field.

The Company supports and coordinates compliance with this *Environmental Policy* by all of the companies of the Group through the Innovation, Environment and Quality Division, which is subordinate to the Chairman's Office.

## 5. Main Principles of Environmental Conduct of the Group

To achieve the implementation of these commitments, the Group shall be guided by the following main principles of conduct:

- a) Comply with applicable environmental laws and regulations in all countries in which it operates, as well as with voluntarily assumed commitments and with international rules of environmental conduct, particularly when they are more ambitious.
- b) Know and assess the environmental risk of production facilities on an ongoing basis.
- c) Prevent the occurrence of such risks and, if appropriate, mitigate the consequences of such occurrence, including, when deemed appropriate, the provision of financial guarantees.
- d) Integrate fully the environmental dimension and respect for the natural environment into the strategy of the Group.
- e) Ensure at all times the compatibility of financial profit with environmental protection and the meeting of energy needs through innovation and eco-efficiency, and contributing to a sustainable and responsible energy model.
- f) Consume responsibly, making sustainable use of resources and increasing consumption of renewable resources to the extent possible.
- g) Incorporate the environmental dimension into investment decision processes and the planning and carrying out of activities, promoting the consideration thereof in cost-benefit analyses.
- h) Establish appropriate management systems, based on a philosophy of ongoing improvement, that help to reduce environmental risk and that include:
  1. Ongoing efforts to identify, assess, and reduce the adverse environmental effects of the activities, facilities, products, and services of the Group.
  2. Provision of information to and training of employees on the effects of the development of the Group's processes and products to minimise the detrimental effects of its activities on their health and on the environment.
  3. Development of plans and programmes setting objectives and goals and updating of emergency plans that will make it possible to reduce risks, minimise adverse environmental effects, and regularly monitor the progress and effectiveness of the measures applied, fostering the ongoing improvement of the Group's processes and practices.
  4. Carry out monitoring, measurement, and, if appropriate, corrective activities.
  5. Performance of internal and external audits.
- i) Identify and incorporate available technical improvements for the production of electric power from a technical financial, environmental, and social standpoint.
- j) Respect nature, biodiversity, and the historical and artistic heritage in the natural environment where the Group's facilities are located.
- k) Foster research and development of new technologies and processes that help to address climate change and other environmental challenges with a preventive approach and allow for a more efficient use of natural resources to progress towards a more sustainable energy model, including electric mobility.
- l) Promote behaviour of the Group that is in line with the principles of this *Environmental Policy*, assigning positive value to alignment therewith, particularly in the selection of contractors and suppliers.
- m) Establish a constructive dialogue with Government Agencies, regulatory authorities, non-governmental organisations, shareholders, customers, local communities, and other stakeholders in order to:
  1. Mutually understand the interests and objectives of each of the parties.
  2. Work jointly in the search for solutions to environmental problems and dilemmas.
  3. Contribute to the development of a useful public policy from the environmental standpoint that is efficient in economic terms.
  4. Raise awareness of the importance of taking measures to reduce greenhouse gas emissions.
- n) Report transparently on environmental results and actions, establishing the appropriate channels to favour communication with the stakeholders and recognizing both achievements and aspects that need to be improved.
- o) Share acquired knowledge with their customers in order to improve their environmental behaviour in connection with energy.

**This *Environmental Policy* was initially approved by the Board of Directors on 18 December 2007, and was last amended on 20 October 2015.**

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