

This Stakeholder Engagement Model was approved by the Operating Committee of IBERDROLA on 26th September 2016

BRAND AND CORPORATE REPUTATION DIVISION
September / 2016

IBERDROLA **Stakeholder** **Engagement Model**

Purpose



Stakeholder Engagement Model

EXECUTIVE SUMMARY

Rationale:

The rationale for this *Stakeholder Engagement Model* is as follows:

- **The responsible and sustainable business model of IBERDROLA, S.A.** (“IBERDROLA” or the “Company”).
- **The *Stakeholder Relations Policy*.**
- **Current trends** (social movements, good governance practices, investor and consumer opinion trends, sustainability assessors, etc.), which point towards increasing **stakeholder participation in companies**.
- The need to **guide the entire Iberdrola Group** as regards its engagement with stakeholders and to manage the Company’s **relational capital** more effectively, in order to gain **competitive advantages** in this field.

General purpose of the *Stakeholder Engagement Model*:

To contribute towards achieving IBERDROLA’s Mission – creating sustainable value –, on the basis of quality engagement with stakeholders, rooted in dialogue, involvement and the generation of trust, as well as other aspects.

For IBERDROLA, stakeholders are “groups that may influence or that might be affected by the decisions made by or the value of the Company and the Group”. To be more specific, the Board of Directors has taken **eight stakeholder categories** into account:

- **Workforce**
- **Shareholders and the financial community**
- **Regulatory entities**
- **Customers**
- **Suppliers**
- **The media**
- **Society at large**
- **The environment**

Goals of the *Stakeholder Engagement Model*:

- 1** To build on IBERDROLA’s *Stakeholder Relations Policy*, which was approved by the Board of Directors and which is geared towards involving stakeholders and generating trust
- 2** To streamline engagement with all of the IBERDROLA Group’s stakeholders in all the countries where it has operations and in all its businesses
- 3** To create a corporate culture regarding the importance of dialogue with stakeholders, in order to ensure a more sustainable (economic, social and environmental) performance by IBERDROLA

Main references for the *Stakeholder Engagement Model*:

Stakeholder Engagement Model

- The IBERDROLA Group's **By-Laws, Mission, Vision and Values** and its **Corporate Policies**, in particular the ones on corporate social responsibility.
- The **AA1000 SES** standard, published in 2015 by AccountAbility¹.
- The requirements set in 2016 by the **Dow Jones Sustainability Index (DJSI)** for the electric utilities sector, as regards the criteria of materiality and stakeholder engagement.

Key Aspects of the Stakeholder Engagement Model:

- It is a **guide** intended to help the entire IBERDROLA Group as a whole to engage with its stakeholders in a streamlined manner, while taking the particularities and singularities of each country and business into account.
- It follows the **identification** of the stakeholder categories approved by the Board of Directors.
- It **segments** stakeholder categories into stakeholder subcategories.
- It assigns **priority** to stakeholder subcategories depending on their impact and ability to influence IBERDROLA, and vice-versa, on IBERDROLA's impact and ability to influence them.
- It provides the guidelines for designing the **model for engagement** with each stakeholder subcategory (including people in charge, channels, frequency of engagement, etc.).
- It determines the most relevant process in the Stakeholder Engagement Model: identifying **relevant issues** for IBERDROLA and stakeholders, and the associated **risks and opportunities**.
- It provides the basis for designing an **Action Plan**, with the ultimate goal of enhancing stakeholder engagement.
- It improves **reporting flows** on stakeholder engagement.
- All of these aspects are included in the **ten stages** in which the *Stakeholder Engagement Model* is structured:



¹AccountAbility: International organisation focusing on CSR and sustainability.

Stakeholder Engagement Model

Streamlining stakeholder engagement will help the IBERDROLA Group in the following ways:

- To acquire a better understanding of its stakeholders and sub-stakeholders and to **learn** from them.
- To increase the IBERDROLA Group's ability to influence and deal with possible conflicts more easily.
- To gather more **information** for decision-making purposes.
- To analyse issues that are relevant for stakeholders and for IBERDROLA, as **risks/ opportunities**.
- To align stakeholders' **expectations** and the company's **strategy**.
- To promote the design of specific **action plans**.
- To meet the **goals of the various organisations in IBERDROLA**, as strong stakeholder relations are beneficial for the following reasons, among others:
 - Motivation and a feeling of belonging in the workforce.
 - The trust of shareholders and the financial community.
 - Good rapport with regulatory entities.
 - Attracting customers and ensuring their satisfaction and loyalty.
 - Collaboration with suppliers.
 - Credibility as regards the media.
 - Respect from society at large.
 - A commitment to caring for the environment and combating climate change.
- Achieving greater depth in the ongoing process of **integrating** the various companies that make up the IBERDROLA Group.
- In short, increasing engagement with stakeholders and obtaining feedback from all of them as a means for enhancing **trust** and IBERDROLA's **reputation**.

Scope:

This *Stakeholder Engagement Model* will be **applicable to all of the companies in the IBERDROLA Group**, which will adopt it as their own. It will be **implemented** according to a **schedule** to be agreed upon by the **Brand and Corporate Reputation Division** and the **corporate divisions and businesses involved**.

Recommendations:

With a view to promoting stakeholder engagement management and integrating it effectively in the organisation, the following is recommended:

- **Specific goals should be agreed upon** in this field and included in annual performance assessment processes and for the purposes of calculating variable remuneration.
- **Specific training initiatives should be held** on stakeholder management, geared towards the entire IBERDROLA workforce and in particular, the executive team.
- **A cross-disciplinary corporate working group should be created**, consisting of interlocutors from the Stakeholder Engagement Unit². Its goals should include:
 - Sharing experiences and lessons learned in implementing this *Stakeholder Engagement Model*.
 - Sharing proprietary best practices and those of other companies.
 - Staying abreast of new trends in managing stakeholder engagement.

Conclusion:

This *Stakeholder Engagement Model* means that IBERDROLA is one of the companies with the best practices in this field.

² The Stakeholder Engagement Network that interacts with the Stakeholder Engagement Unit consists of representatives for all of the stakeholders at corporate level, as well as from cross-disciplinary areas of IBERDROLA. These are basically the members of the Corporate CSR Committee and the people in charge of reporting on the AA1000 standard.

Stakeholder Engagement Model

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ABBREVIATIONS USED IN DOCUMENT:

- Iberdrola or the Company: IBERDROLA, S.A.
- GI: Stakeholder category/ies
- SGI: Stakeholder subcategory/ies

Stakeholder Engagement Model

1.- RATIONALE

IBERDROLA, S.A. (“IBERDROLA” or the “Company”) implements a **responsible and sustainable business model**, which aims to **create sustainable value for its stakeholders**. This model makes IBERDROLA an innovative, transparent, open and committed company with a vocation for integration and significant **involvement in the communities** where it operates, generating an important **social dividend**.

In recent months, IBERDOLA has backed important initiatives as regards its stakeholders:

- Its **By-laws** now include a new article focusing on stakeholder engagement, which expressly mentions its commitment to involving them in the corporate project.
- The **Mission, Vision and Values** of the IBERDROLA Group focus on the creation of value for all stakeholders.
- The **Stakeholder Relations Policy**, which was updated this year, aims to promote a framework for stakeholder engagement based on **transparency, active listening and equal treatment**, one “that favours the **inclusion** of stakeholders in the business and activities of the Group by means of an effective coordination instrument that makes it possible to forge **relations based on trust** on an ongoing basis” (**Appendix 1**).
- **The Brand and Corporate Reputation Division** has set up a Stakeholder Engagement Unit to help build on the principles set out in the aforementioned Policy and promote implementation.

By setting up these initiatives, IBERDROLA has taken a step forward as regards stakeholder engagement, in response to the most recent trends:

- A **global, open and participative society**, in which people – and in particular the younger generations – increasingly relate to one another via the new forms of communication and therefore want to be listened to, to receive a response and be taken into account.
- **Best practices in the area of good governance**, which indicate growing stakeholder participation and involvement in companies.
- **Investors** that are increasingly attentive to companies’ extra-financial practices and the quality of their stakeholder engagement..
- **Consumers** that value companies that are sustainable and socially responsible and prefer them when making decisions.
- **Sustainability assessors**, for which stakeholder engagement is becoming increasingly important.

⇒ Therefore, in order to build on the **responsible business model** upheld by IBERDROLA, develop the company’s **Stakeholder Relations Policy** and respond to the current **trends**, there is a need for a **Stakeholder Engagement Model** to **guide** the Iberdrola Group as a whole in this engagement and help manage the Company’s **relational capital** in order to gain **competitive advantages** in this area.

Stakeholder Engagement Model

2.- PURPOSE AND GOALS OF THE STAKEHOLDER ENGAGEMENT MODEL

The general purpose of the *Stakeholder Engagement Model* is to help attain **IBERDROLA's Mission – creating sustainable value** – as part of a high-quality **stakeholder engagement process** that is based on the following general **principles**, among others:

- Listening and responding to stakeholders and engaging in dialogue with them.
- Involving and collaborating with stakeholders, generating trust with them.
- Knowing their current expectations and anticipating their future needs.
- Managing risks and making the most of the opportunities that arise in engagement processes.
- Promoting the changes that are needed in order to meet stakeholders' legitimate expectations and harness the capacity for transformation they represent.
- Strengthening a global culture of social responsibility and sustainability.

- ⇒ **On the basis of this purpose and these general principles, the *Stakeholder Engagement Model* seeks to attain three specific goals:**
- 1.- To build on IBERDROLA's *Stakeholder Relations Policy*, which was approved by the Board of Directors and which is geared towards involving stakeholders and generating trust.**
- ⇒ **2.- To streamline engagement with stakeholders throughout the IBERDROLA Group, in all of the countries where it has operations and in all of its businesses.**
- 3.- To create a culture in the company regarding the importance of dialogue with stakeholders, in order to ensure a more sustainable (economic, social and environmental) performance by IBERDROLA.**

Streamlining stakeholder engagement will help IBERDROLA in the following ways:

- To acquire a better knowledge of its stakeholders and sub-stakeholders and to **learn** from them.
- To increase the IBERDROLA Group's ability to **influence** and deal with possible conflicts more easily.
- To gather more **information** for **decision-making** purposes.
- To analyse issues that are relevant for stakeholders and for IBERDROLA, as **risks/opportunities**.
- To align stakeholders' expectations and the **company's strategy**.
- To promote the design of specific **action** plans.
- To improve **reporting flows** as regards stakeholder engagement.
- To meet the **goals of the various organisations in IBERDROLA**, as strong stakeholder relations are beneficial for the following reasons, among others:
 - Motivation and a feeling of belonging in the workforce.
 - The trust of shareholders and the financial community.
 - Good rapport with regulatory entities.
 - Attracting customers and ensuring their satisfaction and loyalty.
 - Collaboration with suppliers.
 - Credibility as regards the media.
 - Respect from society at large.
 - A commitment to caring for the environment and combating climate change.
- Achieving greater depth in the ongoing process of **integrating** the various companies that make up the IBERDROLA Group.
- In short, **increasing engagement with stakeholders** and obtaining feedback from all of them as a means for enhancing **trust** and the Company's **reputation**.

Stakeholder Engagement Model

3.- REFERENCES

The inspiration for this Model are the Company's **By-Laws**, the **IBERDROLA Group's Mission, Vision and Values** and its **Corporate Policies**, in particular the ones on corporate social responsibility.

In drafting this Model and **adapting it to the best international practices** in this field, the following resources were used:

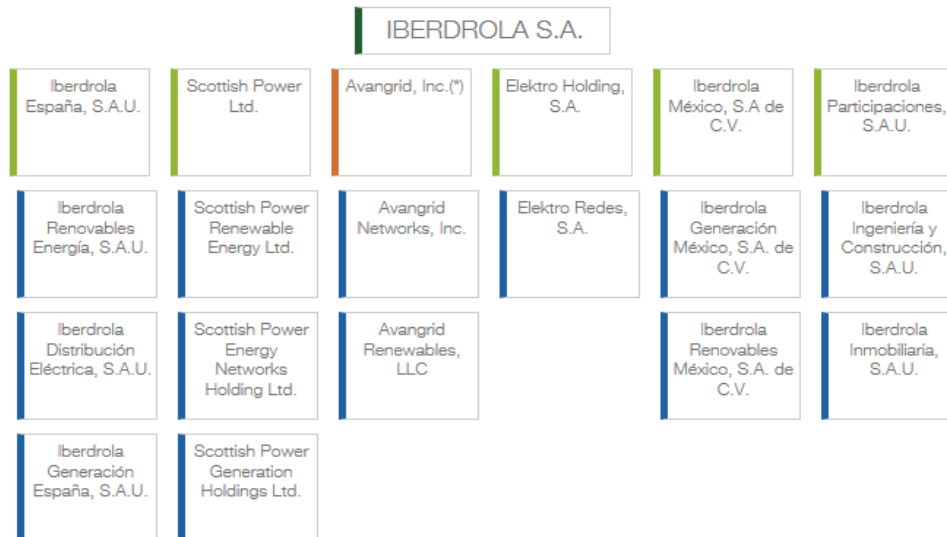
- The **work already carried out** by the Company in this area to date³.
- The **AA1000 SES** Stakeholder Engagement Standard published by AccountAbility in 2015.
- The requirements set out in 2016 by the **Dow Jones Sustainability Index (DJSI)** for the electric utilities sector, as regards the criteria of materiality and stakeholder engagement.

³ Before this Model was drawn up, stakeholder engagement management at IBERDROLA was mostly based on the AA1000 APS standard for stakeholder engagement published by the international organisation AccountAbility. It also included some of the processes from the ISO 9001 standard for quality management certification.

Stakeholder Engagement Model

4 SCOPE AND APPLICATION

This *Stakeholder Engagement Model* will be applicable to all of the companies in the IBERDROLA Group, which will adopt it as their own.



(*) Avangrid, Inc. is 81.50% owned by Iberdrola, S.A.

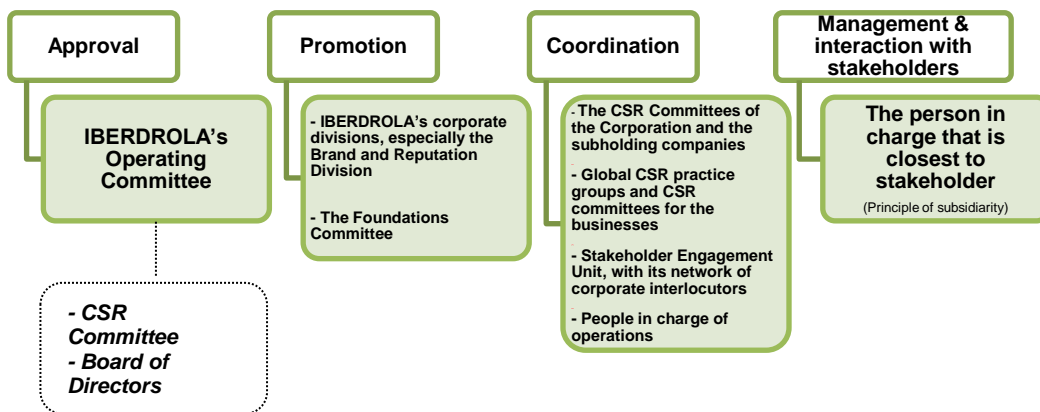


⇒ **The *Stakeholder Engagement Model* will be implemented after it has been approved and distributed, according to a schedule to be agreed upon by the Brand and Corporate Reputation Division and the various corporate divisions and businesses involved.**

Stakeholder Engagement Model

5.- LEVELS OF RESPONSIBILITY

The *Stakeholder Engagement Model* provides for **four levels of responsibility: approval, promotion, coordination and management & interaction**. This latter level follows the **principle of subsidiarity** mentioned in the *Stakeholder Relations Policy*, which provides that “the Group companies establish relations with their Stakeholders in accordance with the principle of subsidiarity, such that the Group company that is closest to the Stakeholder is primarily responsible for interaction in each case”.



1.- Approval:

- The **IBERDROLA Operating Committee**, following a proposal from the Brand and Corporate Reputation Division.
- The **Corporate Social Responsibility Committee of the Board of Directors** - which is in charge of supervising and assessing the application of the *Stakeholder Relations Policy* - will be informed on a regular basis on the whole process of developing and implementing the *Stakeholder Engagement Model*. It will also report on it, where appropriate, to the **Board of Directors**.

2.- Promotion:

- The corporate divisions and businesses in charge of each of the stakeholders.
- The Brand and Corporate Reputation Division.
- The IBERDROLA Group's Foundations Committee.

3.- Coordination:

- At corporate level:
 - The Corporate Social Responsibility and Reputation Committee, which defines, approves and monitors multi-year plans in these areas.
 - The Brand and Corporate Reputation Division, which via the Stakeholder Engagement Unit, in collaboration with its Network of interlocutors⁴, is responsible for:
 - Defining and distributing this *Stakeholder Engagement Model*.
 - Fostering implementation and compliance with the model by promoting and backing the other departments in the organisations.

⁴ The Stakeholder Engagement Network that interacts with the Stakeholder Engagement Unit consists of representatives for all of the stakeholders at corporate and business level, as well as from cross-disciplinary areas of IBERDROLA. These are basically the members of the Corporate CSR Committee and the people in charge of reporting on the AA1000 standard.

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- At subholding company-country level:
 - The Corporate Social Responsibility and Reputation Committees⁵ in each of the subholding companies, which promote compliance with *Corporate Policies* and coordinate the strategy among the various businesses in each country.
 - The foundations in the various countries.
- At business level:
 - The global CSR practice groups⁶ in the businesses, which have a similar role to the CSR committees.
 - People in charge of operations in each of the areas concerned.

4.- Managing engagement and interaction with stakeholders:

Generally speaking, the companies in the IBERDROLA Group engage with their stakeholders according to the principle of subsidiarity mentioned previously. In accordance with the activities and the organisational structure of IBERDROLA, **four levels of management and interaction** with stakeholders have been defined:

- Corporate level: holding company
- Country corporate level: subholding company
- Business/ country level: head of business companies
- Facility level

As part of their regular operations, the departments belonging to each of these levels **interact with various stakeholders** (as shown in the following diagram) and therefore they are the most appropriate for actively managing these stakeholder relations.

⁵ ScottishPower has a CSR Steering Committee. In the other companies, similar committees are expected to be created from 2017 onwards. Iberdrola Ingeniería y Construcción has a Corporate Social Responsibility Committee.

⁶ The Generation & Retail business and the Networks business have a Global CSR Practice Group; the Renewables business has a Reputation and Social Responsibility Committee.

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(In green, the stakeholders managed at each level)

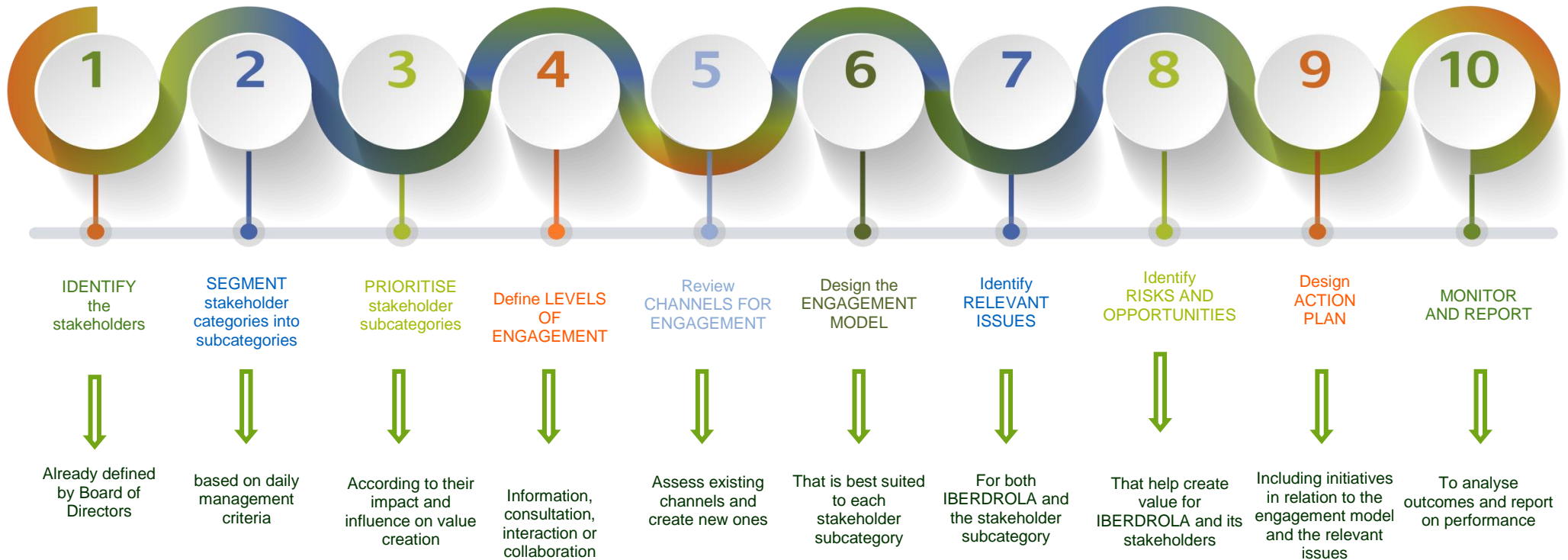


*As a subholding company, Avangrid, Inc. also manages its relations with its shareholders and the financial community.

Stakeholder Engagement Model

6.- STAKEHOLDER ENGAGEMENT PROCESS

This *Stakeholder Engagement Model* is based on a stakeholder engagement process structured in **ten stages**, as shown in the following diagram:










Stakeholder Engagement Model

STAGE 1: Identify stakeholder categories

Following an internal consultation process, the stakeholder categories have **already been defined** in the *Stakeholder Relations Policy* approved by the Board of Directors of IBERDROLA.

The **eight stakeholder** categories identified are as follows:

-  **Workforce**
-  **Shareholders and the financial community**
-  **Regulatory entities**
-  **Customers**
-  **Suppliers**
-  **The media**
-  **Society at large**
-  **The environment**

Stakeholder Engagement Model

STAGE 2: Segment stakeholder categories

On the basis of this first classification, the Brand and Corporate Reputation Division, via the Stakeholder Engagement Unit and in collaboration with the IBERDROLA Group's various corporate divisions and businesses, will coordinate the **segmentation of the stakeholder categories into subcategories**.

In identifying the subcategories, the following is **advised**:

- Where possible, just one criterion for segmentation should be used.
- Segmentation criteria that are commonly used in daily management should be the basis.
- Segmentation should not be excessive, but in some cases, second-level segmentation may be necessary.

For **example**, the following are commonly used segmentation criteria depending on the stakeholder category.

<u>Stakeholder category</u>	<u>Possible criteria for identifying stakeholder subcategories and examples of segmentation</u>
Workforce	<p><i>Possible criteria:</i> according to work category/ level of responsibility in the organisation/ geographical location, etc.</p> <p><i>Example of segmentation:</i> executive team, high potential executive, skilled workers, other employees, interns, trade union representatives, etc.</p>
Shareholders and the financial community	<p><i>Possible criteria:</i> share volume/ financial community profile, etc.</p> <p><i>Example of segmentation:</i> majority shareholders, minority shareholders, institutional shareholders, analysts, rating agencies and proxy advisory firms, etc.</p>
Regulatory entities	<p><i>Possible criterion:</i> scope of responsibility of entities, etc.</p> <p><i>Example of segmentation:</i> transnational, national, regional and local, etc.</p>
Customers	<p><i>Possible criteria:</i> type of business/ customer profile, etc.</p> <p><i>Example of segmentation:</i> Domestic customers, SMEs, industrial customers, public administrations, vulnerable customers, consumer associations, etc.</p>
Suppliers	<p><i>Possible criteria:</i> type of product supplied/ purchase volume/ level of criticality/ where supplier is from, etc.</p> <p><i>Example of segmentation:</i> general provision suppliers, fuel suppliers, local suppliers, non-local suppliers, etc.</p>
The media	<p><i>Possible criteria:</i> type of communication channel/ influence/ geographical location, etc.</p> <p><i>Example of segmentation:</i> opinion leaders, local media, national media, international media, correspondents, news agencies, digital media, journalist associations, etc.</p>

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<p><i>Society at large</i></p>	<p><i>Possible criteria:</i> institutions/ associations/ entities linked to CSR activities, etc.</p> <p><i>Example of segmentation:</i> high-level State institutions, public administrations, international bodies and institutions, business and industry associations, universities, centres for research and knowledge & educational institutions, entities linked to cultural heritage, social action, the environment, sponsorship partners, business partners, local communities, neighbourhood associations, etc.</p>
<p><i>The environment</i></p>	<p><i>Possible criteria:</i> organisations, influential groups, associations linked to issues that are important for IBERDROLA, etc.</p> <p><i>Example of segmentation:</i> international bodies and public administrations, investment analysts, sustainability assessment bodies, academic and scientific groups, associations linked to universal access to electricity, biodiversity, climate change, electric mobility, sustainability, etc.</p>

⇒ **Once a preliminary list of stakeholder subcategories has been obtained, the next step is to assign priority to them.**

Stakeholder Engagement Model

STAGE 3: Assign priority to stakeholder subcategories

Priority will be assigned **according to the impact and ability to influence value creation** that the stakeholder subcategory may have on IBERDROLA and vice-versa.

The organisation in charge of each stakeholder, in collaboration with the Stakeholder Engagement Unit, should decide on the level of relevance of the stakeholder subcategory, by following insofar as possible the **prioritisation questionnaire** provided below. However, it will be possible to add any questions considered to be suitable for each particular stakeholder category.

As explained previously, there are **two sides** to this questionnaire:

- The stakeholder subcategory's ability to impact and influence IBERDROLA.
- IBERDROLA's ability to impact and influence the stakeholder subcategory.

The goal of these questions is to ascertain how relevant each stakeholder subcategory is as regards **IBERDROLA's access to the capital needed** to develop its strategy and achieve its Mission. **Four response levels** have been defined, as follows: null, low, average, and high, with a 0 to 3 weighting.

Questions to ascertain the stakeholder subcategory's ability to influence or have an impact on IBERDROLA

Strategy Does this stakeholder subcategory influence the definition of IBERDROLA's strategic goals or could this be possible?

Ethics Does unethical behaviour by this stakeholder subcategory affect the normal activity of IBERDROLA or could this be possible?

Results Does this stakeholder subcategory influence IBERDROLA's financial results or could this be possible?

Financial resources Does this stakeholder subcategory influence IBERDROLA's access to the necessary financial resources or could this be possible?

People Does this stakeholder subcategory influence IBERDROLA's ability to attract and hold on to the best professionals or could this be possible?

Supplies Can this stakeholder subcategory influence the supply of the goods and services needed for IBERDROLA's normal activities or could this be possible?

Products Does this stakeholder subcategory influence the development of new projects, products or services or could this be possible?

Innovation Can this stakeholder subcategory influence IBERDROLA's ability to innovate?

Environment Does this stakeholder subcategory influence the Environment in which IBERDROLA carries out its activities or could this be possible?

Society Can this stakeholder subcategory influence opinion in the communities where IBERDROLA operates?

Questions to ascertain IBERDROLA's ability to influence or have an impact on stakeholder subcategories

Strategy Does defining IBERDROLA's strategic targets have an influence on this stakeholder subcategory or could this be possible?

Ethics Does unethical behaviour by IBERDROLA affect the normal activity of this stakeholder subcategory or could this be possible?

Results Does IBERDROLA influence the economic aspects of this stakeholder subcategory or could this be possible?

Financial resources Does IBERDROLA influence this stakeholder subcategory's access to financial resources or could this be possible?

People Does IBERDROLA influence the professional development of this stakeholder subcategory or could this be possible?

Supplies Can IBERDROLA influence the supply of the goods and services needed for the normal activities of this stakeholder subcategory or could this be possible?

Products Does IBERDROLA influence the development of new projects, products or services backed by this stakeholder subcategory or could this be possible?

Innovation Can IBERDROLA influence this stakeholder subcategory's ability to innovate?

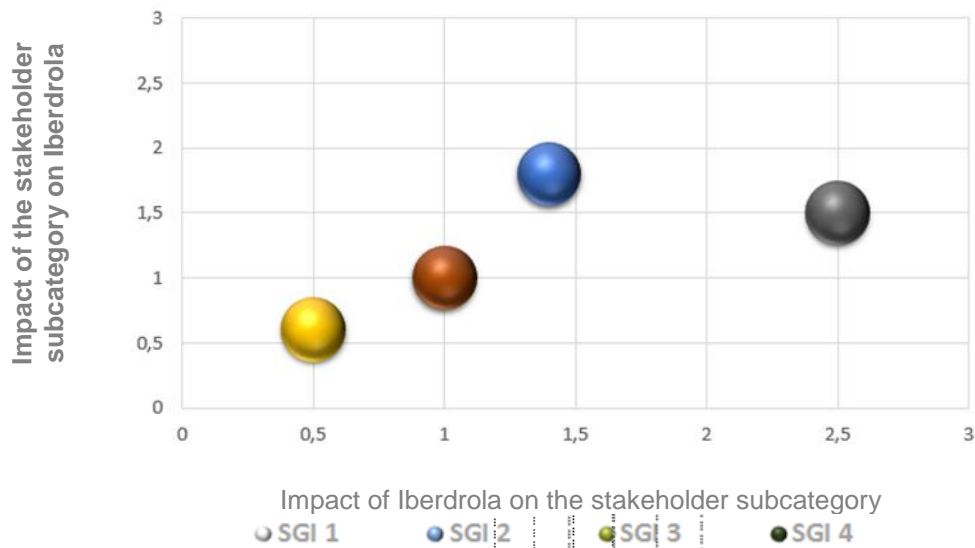
Environment Does IBERDROLA affect the Environment in which this stakeholder subcategory normally carries out its activities or could this be possible?

Society Does IBERDROLA influence the opinion that the communities have of this stakeholder subcategory or could this be possible?

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Once the two questionnaires have been filled in, there will be two scores for each stakeholder subcategory, which should then be transferred to a **prioritisation matrix** similar to the one provided below.

Prioritisation of stakeholder subcategories:



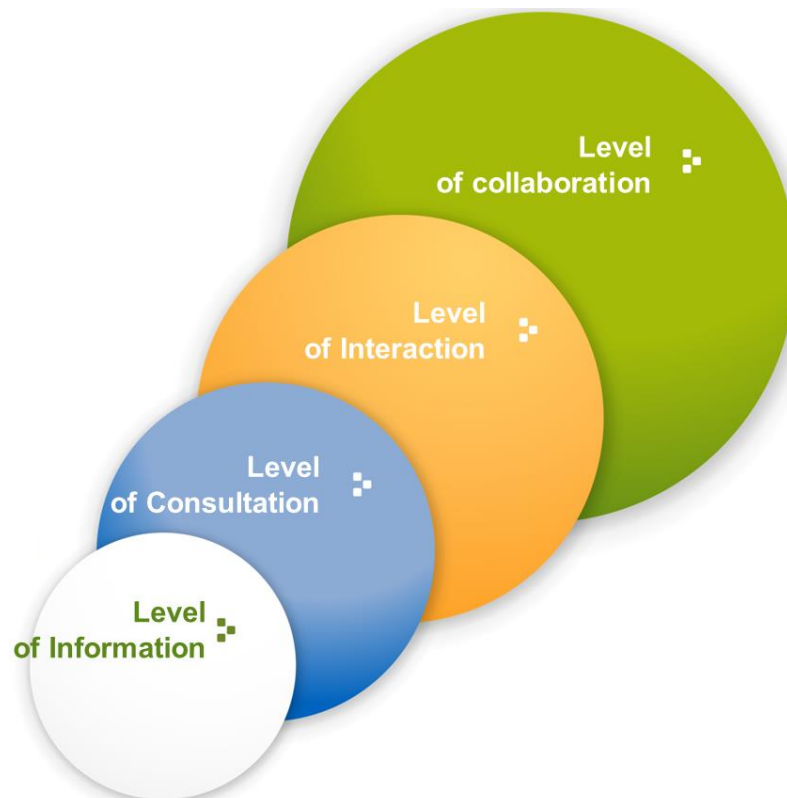
⇒ The resulting matrix will be used for the following purposes:

- 1.- To draft a **map** for each stakeholder category, including the various stakeholder subcategories, depending on the levels of priority defined. **(Appendix 2)**.
- 2.- To reflect on the **level of engagement** that IBERDROLA wishes to have with each stakeholder subcategory, which is the next stage in this *Stakeholder Engagement Model*.

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STAGE 4: Define levels of engagement

IBERDROLA has defined **four incremental levels of engagement**, which match the relevance that each stakeholder subcategory has for the Company:

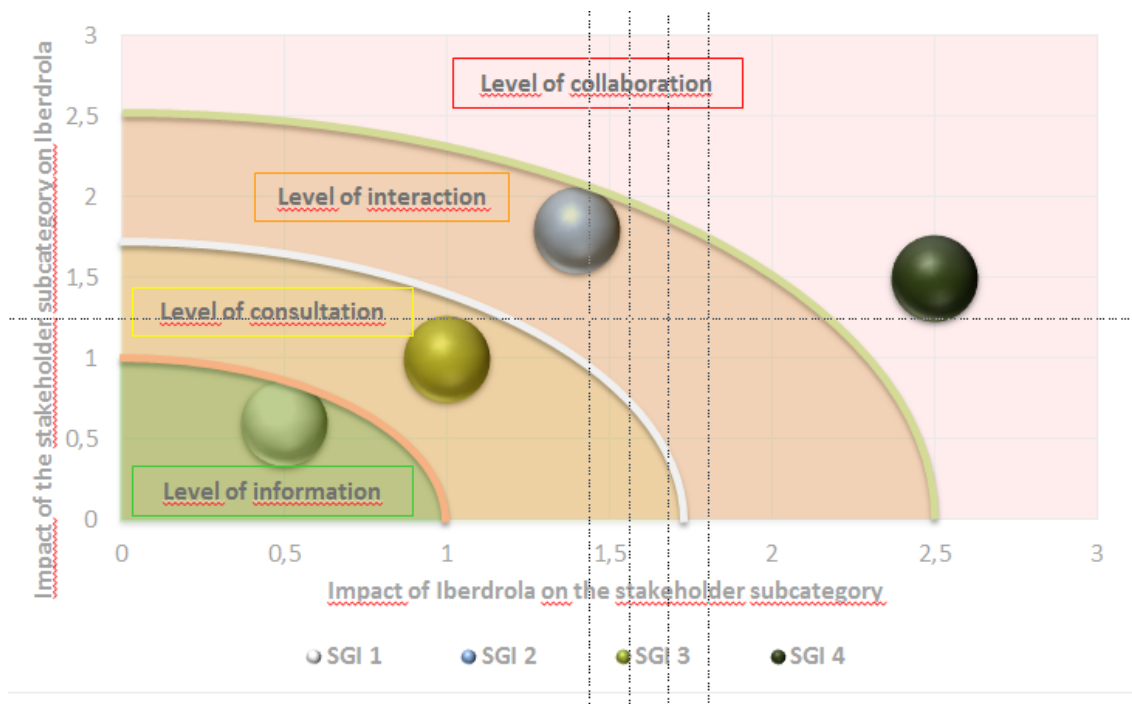


- **Information level:** This is the minimum level of engagement that IBERDROLA should have **with all of its stakeholder subcategories**. On this level, IBERDROLA shares **information on a regular basis** via the **usual communication channels**. This is one-way communication.
- **Consultation level:** This is the level of engagement that IBERDROLA should maintain with the stakeholder categories from which it needs to know **information** and even their **opinion** on specific issues. This level requires **channels that allow to ask questions** to the stakeholder subcategory on a **regular basis** and gather their **responses**. In this case, it is two-way communication.
- **Interaction level:** This is the level of engagement that IBERDROLA should maintain with stakeholders on which it needs to exert a certain **level of influence**, so that their actions and opinion can help IBERDROLA attain its **goals**. This level implies the availability of **formal and informal channels** that enable IBERDROLA to **interact frequently** and on a regular basis with its sub-stakeholders. It is also two-way communication.
- **Collaboration level:** This is the level of engagement that IBERDROLA should maintain with the top **priority** stakeholder subcategories that it needs in order to attain its **strategic goals**. This level requires the availability of **formal channels for the medium and long term**, such as strategic alliances, collaboration agreements or other kinds of arrangements. Therefore it implies **two-way communication on an active and ongoing basis**.

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These four levels of engagement may be placed as follows in the **prioritisation matrix** above:

Level of engagement per stakeholder subcategory



⇒ Once the level of engagement has been assigned to each stakeholder subcategory, the **channels needed** to ensure the desired engagement should be assessed. This marks the transition to a new stage in this *Stakeholder Engagement Model*.

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STAGE 5: Review channels for engagement

In order to assess the suitability of the channels, the various types of channels should be taken into account, such as:

- **Information or communication channels:**
 - **Information: One-way channels** to provide general or individualised information to the various stakeholders. For example, in-house magazines for employees, external publications for customers, information brochures for investors or regulators, press releases, etc.
 - **Communication: Two-way channels** that IBERDROLA uses to communicate with its various stakeholders with differing degrees of frequency, such as the Employees' Portal, the Suppliers' Portal, the customer support offices, meetings with regulatory entities, the Shareholders' Office, etc.
- **Formal or informal channels:**
 - **Formal:** These are channels for which access is via a formal process and which are managed. For example, portals (Employees' Portal, Suppliers' Portal, etc.) and mailboxes for complaints, reports or suggestions.
 - **Informal:** There is no formal process defined for access to these channels. They are usually meetings with various sub-stakeholders that are announced on a formal basis, but which do not have a formal process for access by the sub-stakeholders, apart from effective attendance or participation in the meeting or event.
- **Frequency with which channels are used:**
 - **Frequent:** These channels are used on a regular basis, between daily and weekly. For example, the customer, supplier or shareholder portals or support offices.
 - **Occasional:** These channels are not used on a regular basis and they are usually linked to specific meetings or events. For example, meetings with consumer associations, industry meetings, surveys to measure the satisfaction of customers, suppliers, employees, shareholders, etc. They may also be informative events published on a regular basis (monthly, quarterly, six-monthly or annually).
- **Ease of access to channels:**
 - The channels that are easily accessible to sub-stakeholders - such as telephones, mailboxes, portals, support offices, etc. - are similar in that they do not require any question or prior action by IBERDROLA for access.

As stated in IBERDROLA's *By-Laws* "The corporate **website** of IBERDROLA, the subholding companies and head of business companies; their presence on **social media** and in general, their strategy on **digital communication**, are channels for communication for the purposes of the *Stakeholder Relations Policy* and one of the **main means** for securing their engagement".

IBERDROLA also has many other **channels for engagement** with its various stakeholders and sub-stakeholders. The main ones are as follows:

Stakeholder Engagement Model

<u>Stakeholder category</u>	<u>Engagement channels</u>
<i>Workforce</i>	Mixed subcommittees or committees with employees, surveys, suggestion boxes, the Global Employees' Office, internal magazines and the Employees' Portal (Intranet).
<i>Shareholders and the financial community</i>	Personal contact with fixed income and equity investors, the Office of the Shareholder, the Shareholders' Club, the 'Investor Relations' multidevice app, periodic information brochures, the Shareholders' Ethics Mailbox, and a specific channel for communication with shareholders on the corporate website.
<i>Regulatory entities</i>	Consultations and meetings with regulatory entities, both through direct contact and through industry organisations.
<i>Customers</i>	Face-to-face and remote channels for direct engagement with customers, a complaints and claims system, customer satisfaction surveys, channels for engagement with consumer associations and institutions.
<i>Suppliers</i>	The Suppliers' Portal on the corporate website, the Supplier Support Centre, supplier satisfaction surveys, the suppliers' Ethics Mailbox, supplier registration and classification, meetings with suppliers, and a dedicated mailbox.
<i>The media</i>	Press releases, individual and group meetings, a mailbox for queries on the corporate website, communication channels on social media and a specific multimedia channel on the corporate website.
<i>Society at large</i>	Participation in trade associations and chambers of commerce, engagement with social organisations of various kinds in the communities where the IBERDROLA Group has operations, and direct engagement with the various public administrations in the countries where the Group has operations.
<i>The environment</i>	A specific mailbox on the corporate website and participation in social media with environmental information and environmental impact assessments when building new facilities.

The assessment process should result in a **review** of the existing channels or the **creation of new channels**, so as to attain the level of engagement that has been defined.

⇒ **Bearing in mind the level of priority assigned to the stakeholder subcategory, the level of engagement and the most suitable channels for engagement, those in charge of stakeholders should define the engagement model for the stakeholder subcategory, as described in the next stage.**

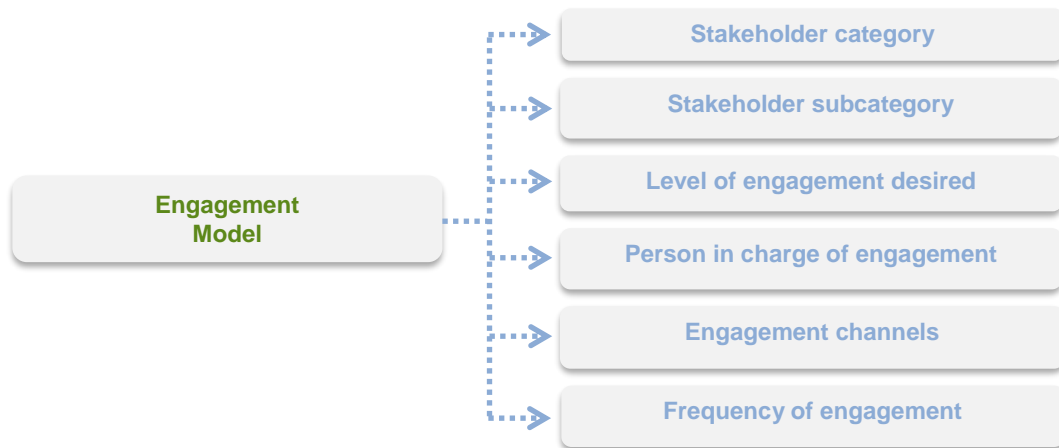
Stakeholder Engagement Model

STAGE 6: Designing the engagement model

In order to analyse the existing model for engagement with a stakeholder subcategory and its suitability, both IBERDROLA's ability to manage the stakeholder subcategory and the latter's influence on IBERDROLA should be taken into account.

- To assess IBERDROLA's ability to manage the stakeholder subcategory, the following procedure is needed:
 - As mentioned previously, identify the communication channels used for engagement and verify if they meet the defined purposes.
 - Analyse the interlocutors and the quality of the engagement, so as to identify if there is any shortcoming or need to improve how the existing relationship is managed.
- In order to assess the stakeholder subcategory's ability to influence IBERDROLA, it is advisable to take into account four stakeholder categories based on their willingness to commit to achieving IBERDROLA's goals. The *Stakeholder Management* methodology provided in the AA1000 Standard proposes the following classification:
 - Supportive: the stakeholder actively shows their support for the project.
 - Neutral: the stakeholder supports the project, albeit not actively, or is indifferent to it.
 - Critical: the stakeholder's stance is to oppose the project, but they don't actively demonstrate their opposition to it.
 - Blocker: the stakeholder is actively against the project.

Once this analysis is carried out, the **model for engagement between IBERDROLA and each stakeholder subcategory** should then be drafted. It should include the following aspects:



⇒ The engagement model (**Appendix 3**) is the point of departure for subsequently ascertaining and understanding the **relevant issues and expectations** of each stakeholder subcategory (next stage in this *Stakeholder Engagement Model*).

Stakeholder Engagement Model

STAGE 7: Identifying relevant issues

The **ultimate goal** of this stage is to achieve a list of **issues that are most relevant** to IBERDROLA and its stakeholders, which meet the **needs and expectations** of the latter and at the same time, help IBERDROLA in its **decision-making** processes.

To this end, **two** different **initiatives** are required:

1.- Draft a first list of issues that are relevant to the stakeholders and to IBERDROLA, including the current response to each of the issues.

These relevant issues may be identified using **different sources**:

- **Direct sources (engagement channels, etc.):** such as customer satisfaction surveys, customer complaint records, facility management system records, interaction with local administrations regarding licenses and permits, workplace atmosphere surveys, incidents with service suppliers, incidents with material suppliers, supplier surveys, internal records on collaboration projects on innovation, etc.
- **Indirect sources:** such as media, studies and positions expressed by international institutions, business associations, consumer associations, competitors, etc.

For example, the following is a list of relevant issues published in the *2015 Sustainability Report* following the analysis of various information sources and engagement channels.

<u>Stakeholder category</u>	<u>Relevant issues</u>
Workforce	Working conditions in general. Health and safety conditions. Enhancing training for employees.
Shareholders and the financial community	The Company's financial and economic situation. The Company's dividends. Participation in the Annual General Meeting and Shareholders' Day.
Regulatory entities	Security of supply. Economic aspects of supply. Environmental sustainability.
Customers	Issues linked to the charging and billing process and the new methodologies used. Customer suggestion and complaint processes. Issues linked to sales methods and channels. Issues linked to rates.
Suppliers	Responsible procurement management. Engagement between Procurement Division and suppliers. Promoting CSR and Reputation issues.
The media	Issues linked to regulation. The Company's strategy and positioning. Issues linked to consumption and social action.
Society at large	Issues linked to regulation, innovation and the environment. Compliance with and processing of environmental requirements. IBERDROLA's contribution to the community.
The environment	Climate change. Biodiversity. Energy efficiency. Water management.

Stakeholder Engagement Model

2.- Liaise and enter into **direct dialogue** with **qualified interlocutors for the priority sub-stakeholders to discuss the importance** of the relevant issues that have been identified in advance and how the organisation is **performing** in relation to those issues.

This stage is particularly important, as it will allow IBERDROLA:

- To obtain first-hand knowledge of sub-stakeholders' **perceptions** in relation to these two areas (issues and performance).
- To understand sub-stakeholders' real **concerns and expectations** and be able to offer suitable responses.

In this direct dialogue, the sub-stakeholder interlocutors should have a chance to:

- Propose **opportunities** for IBERDROLA to **improve** its performance.
- Point out **issues** that have not been identified previously.
- Assess the **importance** of these new issues.
- Gauge the organisation's **performance** as regards these new issues.
- Identify **issues that are critical** for the long term.

⇒ **Once this entire process is finalised, the stakeholder manager should draw up a definitive list of relevant issues for each stakeholder, to be documented according to Appendix 4, for the purposes of in-house analysis and to identify possible risks and opportunities (next stage in this Stakeholder Engagement Model).**

Stakeholder Engagement Model

STAGE 8: Identify risks and opportunities

After the in-house analysis of the outcomes obtained in the previous stage - based on direct dialogue with priority sub-stakeholders - it is necessary to identify the **risks and opportunities** that contribute towards the **creation of value for IBERDROLA and its stakeholders**, which is the ultimate goal of this *Stakeholder Engagement Model*. To be more specific, the following should be identified:

- The **risks** associated to each relevant issue⁷.
- The **opportunities** that the relevant issues represent for IBERDROLA, as regards:
 - Improving how the strategy is implemented.
 - Involving the workforce.
 - Differentiating products and services.
 - Best practices in investor relations.
 - Best agreements with suppliers.
 - New innovation processes.
 - Environmental issues.
 - New channels for communication.
 - etc.

⇒ **Once this process is finalised, the stakeholder management should draw up a list of the risks and opportunities associated to each relevant issue (Appendix 4), which should then be included in the relevant Action Plan.**

⁷ In accordance with IBERDROLA's General Risk Control and Management Policy a risk is considered to mean any threat that an event, action or omission might prevent the Group from achieving its goals and successfully implementing its strategies.
https://www.iberdrola.com/wcorp/gc/prod/en_US/corporativos/docs/politica_general_control_riesgos_230216.pdf

Stakeholder Engagement Model

STAGE 9: Design an Action Plan

Once the aforementioned stages are over, an **Action Plan** should be drafted with measures and initiatives that enable the following:

- A clear, consistent response to the **expectations** of stakeholders/ sub-stakeholders.
- Promoting an atmosphere of **trust**.
- Creating **shared value** through collaboration.

The Action Plan will be drafted by each person in charge of engaging with stakeholders, with the support of the Stakeholder Engagement Unit when necessary. It should include **two types of initiatives**:

- Measures related to the Model selected for engaging with the stakeholder/ sub-stakeholder.
- Initiatives geared towards managing relevant issues and stakeholder/ sub-stakeholder expectations.

1.- Measures related to the engagement model.

The following should be included:

- Stakeholder category.
- Stakeholder subcategory.
- People in charge of engagement.
- Existing engagement channels.
- Level of engagement.
- Frequency of engagement.
- Improvement measures detected in discussions with interlocutors and in channels
- Time frames for implementing improvements.
- Resources for implementation.
- Follow-up.

Follow-up on these initiatives will be carried out **once a year**.

(Appendix 5)

2.- Initiatives geared towards managing relevant issues.

The following should be included:

- Stakeholder category.
- Stakeholder subcategory.
- Relevant issues.
- Classification of issues.
- Risks.
- Opportunities.
- Initiatives.
- People in charge.
- Expected outcomes.
- Time frames.
- Resources.
- Mechanisms for reports or complaints, if required.
- Follow-up.

Follow-up on these initiatives will be carried out **once a year**.

(Appendix 6)

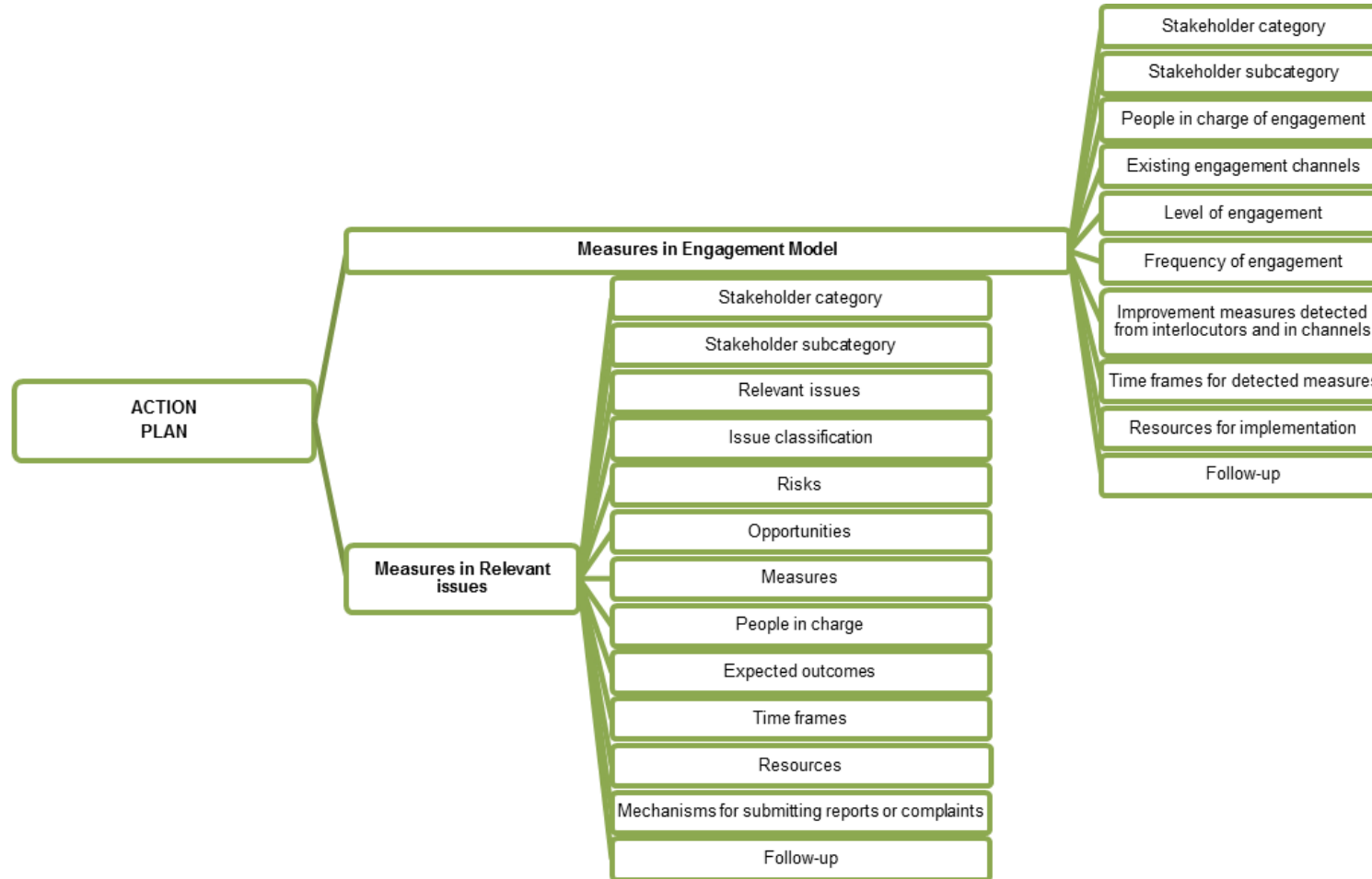
Stakeholder Engagement Model

In both cases, the information needed for **follow-up** may be one of two types:

- Implementation level, referring to time frames established.
- Goals-based, associated to outcomes expected from engagement, perception, knowledge, performance, etc.

⇒ **In order to ensure that the Action Plan is effectively aligned with the strategy of the organisation, the guideline is that it should be thoroughly reviewed at least every 3 years.**

Stakeholder Engagement Model



Stakeholder Engagement Model

STAGE 10: Monitoring and reporting

Monitoring: Monitoring the status of engagement with stakeholders and sub-stakeholders allows to adapt or adjust the initiatives in the **engagement model** and the initiatives geared towards responding to the **relevant issues**. The ultimate goal is to **improve** IBERDROLA's **performance** in engaging with its stakeholders.

The people in charge as specified in the Action Plan will be responsible for providing the **information needed** (implementation or performance indicators, both qualitative and quantitative) for **assessing the outcomes obtained**. It is recommended that this follow-up be conducted at least **once a year**, coinciding with the internal report in the AA1000 APS.

As regards the **mechanisms for submitting complaints or reports**, follow-up should be on an ongoing basis and all complaints and reports received should be dealt with according to the protocol for action established for this purpose.

Reporting: After monitoring is complete, the people in charge of the various stakeholders should inform the Stakeholder Engagement Unit as to the following outcomes **at least once a year**:

- **Identification, segmentation and prioritisation (Stakeholder Map):**
 - The list identifying the stakeholders and sub-stakeholders and the sub-stakeholder prioritisation matrix (**Appendix 2**).
- **Engagement Model:**
 - The current engagement model (**Appendix 3**)
- **Relevant issues identified:**
 - List of relevant issues, risks and opportunities (**Appendix 4**)
- **Action Plan:**
 - Action Plan for engagement model (**Appendix 5**)
 - Action Plan for improving performance in relation to relevant issues identified (**Appendix 6**)

This will allow to analyse the outcomes of the status of engagement with stakeholders and sub-stakeholders on an overall basis for the IBERDROLA Group, while at the same time informing on IBERDROLA's performance via the various corporate channels.

⇒ **When implementing this Stakeholder Engagement Model, the Stakeholder Engagement Unit will give those in charge of the stakeholders tools in Excel format for carrying out each of the steps in this Model. These tools are similar to the appendices included with this document.**

Stakeholder Engagement Model

7.- RECOMMENDATIONS

With a view to implementing this *Stakeholder Engagement Model*, promoting stakeholder management and integrating it into the organisation effectively, the following is recommended:

- **Specific goals should be agreed upon** in this field and included in annual performance assessment processes and for the purposes of calculating variable remuneration.
- **Specific training initiatives should be held** on stakeholder management, geared towards the entire IBERDROLA workforce and in particular, the executive team.
- **A cross-disciplinary corporate working group should be created**, consisting of interlocutors from the Stakeholder Engagement Unit. Its goals may include:
 - Sharing experiences and lessons learned in implementing this *Stakeholder Engagement Model*.
 - Sharing proprietary best practices and those of other companies.
 - Staying abreast of new trends in managing stakeholder engagement.

Stakeholder Engagement Model

8.- APPENDICES

Appendix 1: Stakeholder Relations Policy

Appendix 2: Stakeholder map and prioritisation matrix

Appendix 3: Engagement model and engagement level matrix

Appendix 4: Relevant Issues, Risks and Opportunities

Appendix 5: Action Plan for Engagement Model

Appendix 6: Action Plan for Relevant Issues

Stakeholder Engagement Model

APPENDIX 1: STAKEHOLDER RELATIONS POLICY

23 February 2016

Stakeholder Relations Policy



Stakeholder Engagement Model

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4. Significant Matters	4
5. Other Processes and/or Instruments for Stakeholder Relations Management	5

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Stakeholder Engagement Model

Social Responsibility Policies

23 February 2016

STAKEHOLDER RELATIONS POLICY

The Board of Directors of IBERDROLA, S.A. (the "**Company**") is vested with the power to design, evaluate, and review the Company's Corporate Governance System on an on-going basis and to approve the *Corporate Policies* that further develop the principles reflected in such system, which contain the guidelines governing the actions of the Company and of the companies belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the "**Group**").

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

Pursuant to the provisions of its *By-Laws*, the Company pursues the fulfilment of the corporate interest, which is understood as the common interest of all shareholders of an independent company oriented towards the sustainable exploitation of its corporate object and the creation of long-term value for the shareholders' benefit, taking into account other stakeholders related to its business activity and to its institutional reality, and especially the legitimate interests of the various communities and territories in which the Company acts and those of its employees

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

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

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

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

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

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

1. Purpose

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

2. Basic Principles of Stakeholder Relations

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

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

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Stakeholder Engagement Model

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

3. Channels for Dialogue of the Company with Stakeholders

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

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

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

4. Significant Matters

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

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

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Stakeholder Engagement Model

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

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

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

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

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

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

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

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

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

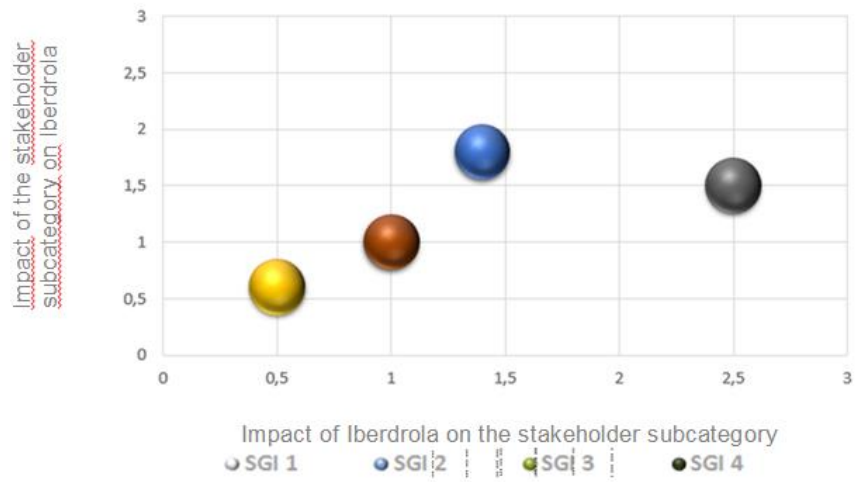
Stakeholder Engagement Model

APPENDIX 2: STAKEHOLDER MAP AND PRIORITISATION MATRIX

Stakeholder category	Stakeholder subcategory	ASSIGNING PRIORITY
1- Workforce	SGI1-1	SGI1-4
	SGI1-2	SGI1-3
	SGI1-3	SGI1-5
	SGI1-4	SGI1-2
	SGI1-5	SGI1-1
2.- Shareholders and the financial community	SGI2-1	SGI2-5
	SGI2-2	SGI2-1
	SGI2-3	SGI2-3
	SGI2-4	SGI2-2
	SGI2-5	SGI2-4
3. - Regulatory entities	SGI3-1	SGI3-2
	SGI3-2	SGI3-1
	SGI3-3	SGI3-5
	SGI3-4	SGI3-4
	SGI3-5	SGI3-3
4.- Customers	SGI4-1	SGI4-2
	SGI4-2	SGI4-1
	SGI4-3	SGI4-3
	SGI4-4	SGI4-5
	SGI4-5	SGI4-4
5.- Suppliers	SGI5-1	SGI5-3
	SGI5-2	SGI5-2
	SGI5-3	SGI5-1
	SGI5-4	SGI5-5
	SGI5-5	SGI5-4
6.-The media	SGI6-1	SGI6-1
	SGI6-2	SGI6-3
	SGI6-3	SGI6-2
	SGI6-4	SGI6-5
	SGI6-5	SGI6-4
7.- Society at large	SGI7-1	SGI7-2
	SGI7-2	SGI7-3
	SGI7-3	SGI7-1
	SGI7-4	SGI7-5
	SGI7-5	SGI7-4
8.- The environment	SGI8-1	SGI8-2
	SGI8-2	SGI8-1
	SGI8-3	SGI8-3
	SGI8-4	SGI8-5
	SGI8-5	SGI8-4

Stakeholder Engagement Model

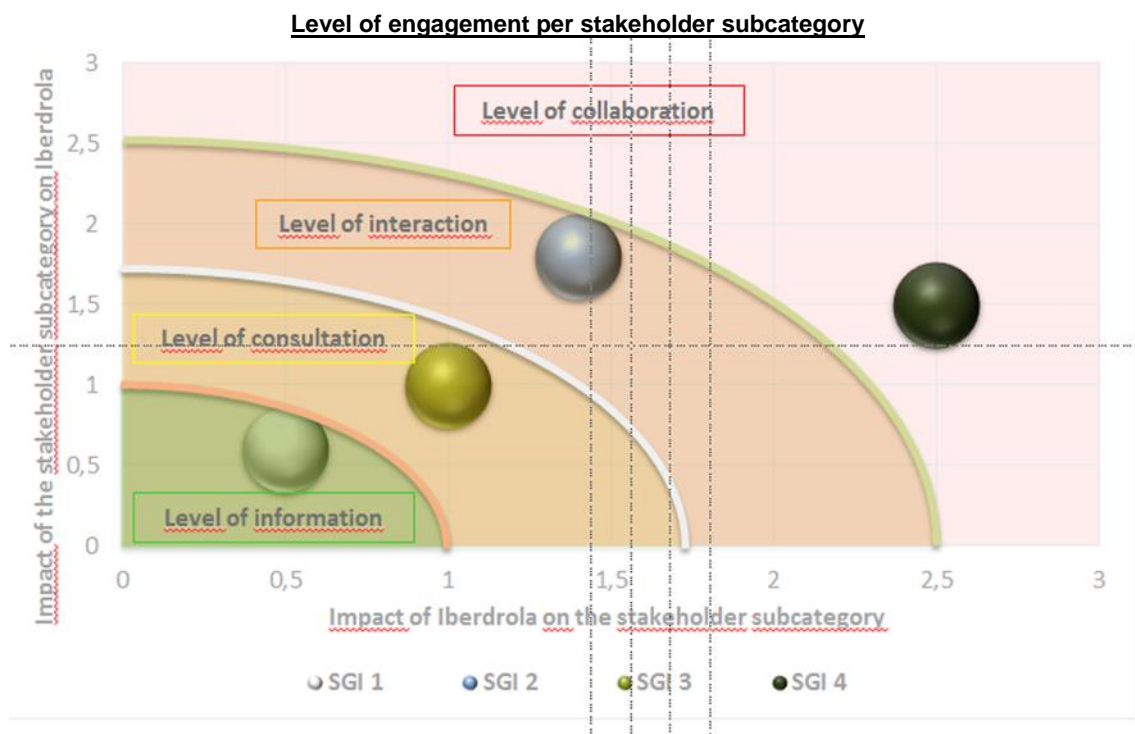
Prioritisation of stakeholder subcategories:



Stakeholder Engagement Model

APPENDIX 3: ENGAGEMENT MODEL AND ENGAGEMENT LEVEL MATRIX

Stakeholder category	Stakeholder subcategory	LEVEL OF ENGAGEMENT DESIRED	PEOPLE IN CHARGE OF ENGAGEMENT	ENGAGEMENT CHANNELS	FREQUENCY
GI1	SGI1-1	Collaboration			
GI1	SGI1-2	Collaboration			
GI1	SGI1-3	Consultation			
GI1	SGI1-4	Interaction			
GI1	SGI1-5	Information			



Stakeholder Engagement Model

APPENDIX 4: RELEVANT ISSUES, RISKS AND OPPORTUNITIES

Stakeholder category	Stakeholder subcategory	DEFINITIVE RELEVANT ISSUES	TYPE OF ISSUE	RELEVANCE (FOR IBERDROLA/ SUB-STAKEHOLDERS/ BOTH)	RISKS	OPPORTUNITIES
G11	SG11-1					
G11	SG11-2					
G11	SG11-3					
G11	SG11-4					

Stakeholder Engagement Model

APPENDIX 5: ACTION PLAN - ENGAGEMENT MODEL

Stakeholder category	Stakeholder subcategory	PEOPLE IN CHARGE OF ENGAGEMENT	EXISTING ENGAGEMENT CHANNELS	LEVEL OF ENGAGEMENT	FREQUENCY OF ENGAGEMENT	IMPROVEMENT MEASURES DETECTED	TIME FRAMES FOR IMPLEMENTING IMPROVEMENTS	RESOURCES FOR IMPLEMENTATION	FOLLOW-UP
GI1	SGI1-1								
GI1	SGI1-2								
GI1	SGI1-3								
GI1	SGI1-4								

APPENDIX 6: ACTION PLAN - RELEVANT ISSUES

Stakeholder category	Stakeholder subcategory	RELEVANT ISSUES	ISSUE CLASSIFICATION (ENVIRONMENTAL, GOVERNMENTAL, SOCIAL)	RISKS	OPPORTUNITIES	INITIATIVES	PEOPLE IN CHARGE	EXPECTED OUTCOMES
GI1	SGI1-1							
GI1	SGI1-2							
GI1	SGI1-3							
GI1	SGI1-4							
GI1	SGI1-5							



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