

14. Corporate Tax Policy



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NOTICE. This document is a translation of a duly approved Spanish-language document, and is provided for informational purposes only. In the event of any discrepancy between the text of this translation and the text of the original Spanish-language document that this translation is intended to reflect, the text of the original Spanish-language document shall prevail.

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with the duty to approve the Company’s corporate policies and to formulate its tax strategy. The Board of Directors is also responsible for approving investments and transactions that are particularly important from a tax standpoint because of the high amount or special characteristics thereof.

In the exercise of such duties, the Board of Directors approves this *Corporate Tax Policy*, which forms part of the corporate governance and regulatory compliance policies and sets forth the Company’s tax strategy and its commitment to the application of good tax practices within the framework of the corporate and governance structure of the group of entities of which the Company is the controlling entity, within the meaning established by law (the “Group”).

1. Purpose

The Company’s tax strategy consists basically of ensuring compliance with applicable tax laws and regulations and seeking to establish an appropriate coordination of the tax practices followed by the companies of the Group, all within the framework of fulfilling the corporate interest and supporting a long-term business strategy that avoids tax risks and inefficiencies in the implementation of business decisions

To that end, the Company takes into account all legitimate interests, including public interests, that converge in its business. In this connection, the taxes that the Group pays in the countries and territories in which it does business are its main contribution to the funding of public purpose needs and, accordingly, one of its contributions to society and to the achievement of goal eight of the Sustainable Development Goals (SDGs) approved by the United Nations.

2. Principles

Compliance by the Group with its tax obligations and its relations with tax authorities shall be governed by the following principles, the application of which corresponds to each of the companies of the Group in accordance with the standards set out in section 4 below:

- a) Compliance with tax rules in the various countries and territories in which the Group operates, paying all taxes due in accordance with the legal system.
- b) The making of decisions on tax matters by the companies of the Group based on a reasonable interpretation of applicable legal provisions and in close relationship to the activities of the group.
- c) 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.
- d) 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.
- e) The provision of information to the management decision-making bodies on the main tax implications of the transactions or matters submitted to it for approval, when they are a significant factor in making a decision.
- f) 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 as one of their contributions to society

3. Good Tax Practices

Applying the foregoing principles, the Group assumes the following good tax practices:

- a) Not to use artificial structures unrelated to the Group’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.
- b) 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.
- c) Not to create or acquire companies resident in countries or territories that Spanish legal provisions deem to be tax havens or that are included in the EU blacklist of non-cooperative jurisdictions, with the sole exception of those cases in which the Group is forced to do so because it is an indirect acquisition in which the company in question is part of a group of companies that are being acquired, in which case the provisions of the *Procedure for the Acquisition of Equity Interests in Entities Domiciled in Tax Havens* approved by the Company’s Board of Directors must be taken into account.
This procedure shall also apply in the case of creation or acquisition of entities residing in countries and territories not considered to be tax havens under Spanish legal provisions but included in the EU grey list of non-cooperative jurisdictions and with which Spain has not signed a treaty for the avoidance of double taxation.
- d) 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.

In Spain, the Company has adhered to the *Code of Good Tax Practices* (the “Code”) 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*).

Without prejudice to any revision of this *Corporate Tax Policy* by the Company’s Board of Directors within the framework of ongoing improvement of the Corporate Governance System, the Company’s commitment concerning compliance with, further development, and implementation of the Code shall 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 this *Corporate Tax Policy*.

The Group is also committed to compliance with the *OECD Guidelines for Multinational Enterprises* in the area of taxation.

- e) Cooperate with the competent tax authorities in the detection of and search for solutions for fraudulent tax practices of which the Company is aware that may be used in the markets in which the Group has a presence.
- f) Provide significant tax-related information and documents that may be requested by the competent tax authorities as soon as practicable and with the required scope.
- g) Notify the appropriate body of the competent tax authority and sufficiently discuss therewith all significant issues of fact of which it has notice, in order to commence the appropriate investigative proceedings, if any, and to promote agreements and consents during the course of inspection proceedings, to the extent reasonably possible and without impairing good corporate management.

4. Application of the *Corporate Tax Policy* within the Framework of the Corporate and Governance Structure of the Group

The application of this *Corporate Tax Policy* shall be governed by the following principles in accordance with the provisions of the Group's corporate and governance structure:

a) With respect to the Company

The Board of Directors of the Company is responsible for the coordination, within legal limits, of the overall management strategies and guidelines of the Group, acting in furtherance of the interests of each and every one of the companies forming part thereof, while the chairman of the Board of Directors & chief executive officer and the senior officers of the Company are responsible for the organisation and coordination of the Group, by means of the dissemination and implementation of and compliance with the general strategies and policies established by the Board of Directors.

In accordance with the foregoing, the Board of Directors of the Company, through its chairman & chief executive officer and its management team, shall promote due observance of the principles and good tax practices set forth in this *Corporate Tax Policy* by the companies forming part of the Group with significant activities in the tax area.

The foregoing shall in any event be deemed to be without prejudice to the special framework of strengthened autonomy applicable to the listed country subholding companies.

b) With respect to the country subholding companies

As regards the principles and good tax practices set out in this *Corporate Tax Policy*, the country subholding companies shall assume the responsibilities of determining, coordinating and supervising compliance, in the respective countries in which they operate, with the standards that must be followed in the application of those taxes that, due to the nature thereof, affect more than one company of the Group.

Specifically, the boards of directors of the country subholding companies shall ensure compliance with this *Corporate Tax Policy* at the country level, specifying its content based on the laws applicable in each jurisdiction.

c) With respect to the head of business companies

The head of business companies shall be responsible for complying with their tax obligations, in all events respecting the principles and good tax practices set out in this *Corporate Tax Policy* and the standards established by the country subholding companies.

In particular, the boards of directors of the head of business companies shall be responsible for ensuring compliance with this *Corporate Tax Policy* by the entities of the Group through which they carry out their respective businesses.

Without prejudice to the provisions of law and the preceding paragraphs, the management body of each company of the Group shall be responsible for ensuring that the information such company provides to comply with the tax obligations of the tax group to which it belongs complies with applicable tax provisions as well as the principles and rules set forth in this *Corporate Tax Policy*. Said information shall in all cases be prepared in accordance with the standards set by each country subholding company pursuant to the provisions established by the tax divisions of each country.

5. Monitoring and Control

The companies of the Group shall adopt the control mechanisms necessary to ensure compliance with the tax laws and regulations, principles and good practices set forth in this policy, as part of proper business management. They shall also use proper and sufficiently qualified human and material resources for such purposes.

The Global Tax Division shall approve and periodically review guidelines for the evaluation and management of tax risk applicable to all companies of the Group, which shall include objective standards to classify transactions based on the tax risk thereof, as well as different procedures for the approval thereof.

The head of business companies shall report to the country subholding companies on an annual basis regarding the level of compliance with this *Corporate Tax Policy*. In turn, the audit and compliance committees of the country subholding companies shall report to the Company's Audit and Risk Supervision Committee on the level of compliance with this *Corporate Tax Policy*.

The Audit and Risk Supervision Committee shall, in accordance with the provisions of its Regulations, provide to the Board of Directors information on the tax policies and standards applied by the Company during the financial year and, in particular, on the degree of compliance with the *Corporate Tax Policy*.

In addition, in the case of transactions or matters that must be submitted to the Board of Directors for approval, it shall report on the tax consequences thereof when they constitute a significant factor.

6. Information to the Market

The Company's *Annual Corporate Governance Report* shall set forth the degree of effective compliance with the Code by the Company, as well as with other similar codes or recommendations of other jurisdictions to which the companies of the Group have adhered, and shall report on the operation of the systems for controlling tax risks.

This *Corporate Tax Policy* was initially approved by the Board of Directors on 14 December 2010 and was last amended on 18 December 2018.

