

19 July 2016

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# Suppliers' Code of Ethics

## SUPPLIERS' CODE OF ETHICS

IBERDROLA, S.A. (the “**Company**”) aspires for its conduct and that of the persons linked thereto, including all participants in the value chain, to respond and adhere to ethical and generally accepted social responsibility principles, in addition to applicable laws and the Corporate Governance System.

This ethics and good governance commitment extends to all companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “**Group**”), and to all of its professionals, and the policies that further elaborate on such commitment clearly state that the Group firmly opposes the commission of any wrongful act, whether criminal or otherwise, and that it advances a preventive culture based on the principle of “zero tolerance” for the commission of wrongful acts and fraud and on the application of the principles of ethical conduct and responsible behaviour.

It is essential for this message to be unequivocally conveyed to the third parties with whom the Company maintains relationships, such that they formally undertake to adhere to the Group’s ethical and good governance commitment.

The Company considers suppliers to be a strategic stakeholder, and therefore, it has established for them specific guidelines for action in their areas of activity that conform in all respects to the Group’s principles and values and are laid down in this *Suppliers’ Code of Ethics*, which must be expressly accepted by the Group’s suppliers and shall be attached as an exhibit to the respective contracts.

### ETHICS: to maintain commercial relationships in conformity with principles of transparent corporate ethics and management

- **Corruption:** the Group’s relationship with its suppliers is based on legality, efficiency, and transparency. One of the principles underpinning the United Nations Global Compact (to which the Company adhered in 2002) is the fight against corruption, bribery, and extortion.

The Group does not tolerate, permit, or become involved in any kind of corrupt practice, extortion, or bribery in the conduct of its business activities, either in the public or in the private sector. Ethical and responsible behaviour is one of the pillars of the Group’s conduct, and its suppliers shall comply with the Group’s policies, rules, and procedures in connection with the prevention of corruption, bribery, and extortion.

No supplier of the Group shall offer or give government officials, third parties, or any employee of the Group, within the context of the business activity carried out for or on behalf of the Group, whether directly or indirectly, gifts, presents, or other unauthorised advantages, whether in cash or otherwise, in order to secure favourable treatment in the award or maintenance of contracts or to obtain benefits for themselves or for the supplying company. Acts of bribery, which are expressly prohibited, include the offer or promise, whether direct or indirect, of any kind of improper advantage, any instrument designed to conceal them, and influence-peddling.

Suppliers shall abide by the strictest rules of ethical and moral conduct and by international agreements and shall comply with the law applicable to these matters, ensuring the establishment of adequate procedures required for such purpose.

- **Conflict of interest:** suppliers shall maintain mechanisms ensuring that their independence of action and full compliance with applicable law shall not be affected in the event of a possible conflict of interest involving any of their employees.
- **Information:** the information owned by the Group and disclosed to a supplier shall, as a general rule, be deemed to be private and confidential information.

Suppliers and all professionals therewith shall be responsible for adopting adequate security measures to protect such private and confidential information.

The information provided by a supplier to its contacts within the Group shall be true and shall not be given with the intent to mislead.

### LABOUR PRACTICES: to ensure the protection of internationally recognised basic human and workers’ rights within their sphere of influence

- **Forced labour:** suppliers shall take steps and adopt all required measures within their organisation to eliminate all kinds or forms of forced or compulsory labour, understood as any work or service demanded from an individual under threat of any kind of penalty.
- **Child labour:** suppliers shall expressly reject the use of child labour within their organisation, shall respect the minimum hiring age limits in accordance with applicable law, and shall have adequate and reliable mechanisms in place to verify the age of their employees.
- **Freedom of association and collective bargaining:** suppliers shall respect the freedom of union association and the workers’ right to collective bargaining, subject to the law applicable in each case.
- **Equal opportunity and non-discrimination:** suppliers shall reject all discriminatory practices in employment and occupational matters and shall treat their employees fairly and with dignity and respect. For purposes hereof, discrimination shall include any distinction, exclusion, or preference by reason of race, colour, sex, religion, political opinion, national extraction, or social origin which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation.
- **Reconciliation:** the supplier shall assess the implementation of reconciliation measures that promote respect for the personal and family life of its employees and facilitate the achievement of an optimal balance between the latter and the work responsibilities of women and men, with respect for applicable laws and local practices, and shall not in any case eliminate the measures established at the time of becoming a supplier of the Group.
- **Fair remuneration:** suppliers shall pay their employees in accordance with the provisions of applicable wage laws, including minimum wages, overtime, and social security benefits.

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**HEALTH AND SAFETY:** to provide a safe working environment, complying with the requirements established in connection with the prevention of occupational risks

- **Employee protection:** suppliers shall ensure the protection of their employees, particularly protecting them from overexposure to chemical, biological, or physical hazards or to tasks demanding excessive physical effort at the workplace.
- **Potential emergency situations:** suppliers shall identify and evaluate potential emergency situations at the workplace and shall minimise the possible impact thereof by implementing emergency plans and emergency response procedures.
- **Training and qualifications:** suppliers shall provide their personnel with the training and means required to do their work as agreed under contract, and shall be liable for any damage or loss attributable to the suppliers by action or omission, especially as a consequence of not having taken appropriate preventive measures to avoid it.

**ENVIRONMENT:** to maintain an environmentally-friendly preventive approach, fostering initiatives to promote enhanced environmental awareness

- **Environmental aspects:** suppliers shall have in place an effective environmental policy that ensures compliance with all obligations applicable thereto under applicable law.
- **Waste and emissions:** suppliers shall identify and manage those substances and other materials that present a hazard when released into the environment in order to ensure that they are handled, transported, stored, recycled or reused, and disposed of safely and in compliance with applicable regulations. All waste materials, waste water, or emissions having the potential to adversely affect the environment shall be appropriately managed, controlled, and treated.

**PRODUCT QUALITY AND SAFETY:** to promote continuous improvement in the quality of the products and services supplied

- **Legal and customer requirements:** all products and services delivered by suppliers shall meet the quality and safety standards and parameters required by applicable law, with special emphasis being placed on adherence to agreed prices and delivery dates.

**SUBCONTRACTING:** to ensure compliance with these requirements by parties collaborating with and subcontractors of suppliers

- **Value chain:** the Group's suppliers shall be responsible for ensuring that their own suppliers and subcontractors are subject to guidelines for action substantially similar to those established in this *Suppliers' Code of Ethics*.
- **Indirect violation of the Corporate Governance System:** the actions performed and the procedures used by suppliers to comply with their obligations towards the Group may not entail an indirect or intermediate violation of the *Corporate Policies*, the *Code of Ethics*, or the other rules of the Company's Corporate Governance System.

This *Suppliers' Code of Ethics* is understood to be without prejudice to such additional conditions or requirements as may be imposed by applicable law, by the practices and rules of the various jurisdictions in which the Group operates, and by the respective contract with each supplier, which shall apply in all cases.

The basic principles set forth herein apply to all of the Group's suppliers, and the Group may ensure compliance therewith and shall act accordingly in the event of any violation. Furthermore, the Group shall make available suitable means to collaborate with its suppliers with a view to increasing their competitiveness, establishing appropriate programmes in each case.

### SUPPLIERS' ETHICS MAILBOX

The Company has established a suppliers' ethics mailbox (the "**Suppliers' Ethics Mailbox**") as a channel of communication so that suppliers of the Company (the "**Suppliers**") and the companies they hire to provide services or supplies to the Company (the "**Subcontractors**"), their respective employees, and companies that have participated in service or supply bidding to be Suppliers may report conduct that may involve a breach by a Group professional of the Corporate Governance System or an illegal act or the commission by a Supplier, one of its Subcontractors, or their respective employees of an illegal act or act in violation of the provisions of this *Suppliers' Code of Ethics* within the framework of their commercial relationship with the Company or the companies of its Group.

Suppliers must promptly report the above conduct of which they become aware due to their commercial relationship with the Company or the Companies of its Group.

By contracting with the Company, Suppliers undertake to inform their employees and their Subcontractors of the contents of this *Suppliers' Code of Ethics* and the existence of the Suppliers' Ethics Mailbox, as well as to require their Subcontractors to inform their employees thereof. In addition, Suppliers must be able to verify compliance with such obligations at the request of the Company.

Suppliers and Subcontractors may also use the Suppliers' Ethics Mailbox to make queries or comments regarding the *Suppliers' Code of Ethics*.

The country subholding and head of business companies of the Group that have compliance units or divisions may create their own suppliers' ethics mailboxes or any other reporting channels that they deem suitable or appropriate for such purpose.

Communications addressed to the Ethics Mailbox may be sent by filling out an electronic form that will be available on the Company's corporate website (in the suppliers area) and, if appropriate, on the websites of the companies of its Group, in a section to be called "Suppliers' Ethics Mailbox".

The informing principles of the Suppliers' Ethics Mailbox are the following:

- a) The communications must always observe the standards of truthfulness and proportionality; this mechanism may not be used for purposes other than those seeking compliance with law or the internal rules cited above.

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- b) The identity of the natural person reporting an irregular activity through the Suppliers' Ethics Mailbox shall be considered confidential information and therefore shall not in any case be communicated to the individual being accused and avoiding any kind of response by the accused person as a result of the report.
- c) Without prejudice to the foregoing, the data regarding the persons making the report may be provided to both government and court authorities, insofar as they are requested by such authorities in relation to any proceedings deriving from the subject-matter of the report, and to the persons involved in any subsequent investigation or legal proceedings brought as a result of the investigation. Such assignment of data to government or court authorities shall in all cases be provided in full compliance with personal data protection legislation.

The Compliance Unit shall be responsible for managing the communications sent through the Suppliers' Ethics Mailbox of the Company. In the case of country subholding and head of business companies of the Group that have compliance units or divisions, they shall be responsible for managing the communications sent through the Suppliers' Ethics Mailbox of the respective company. If the matter affects a country subholding or head of business company of the Group that has its own compliance unit or division, the Compliance Unit shall send the communication to such unit or division in order for it to proceed with evaluation and processing in accordance with its own rules. Notwithstanding the foregoing, if the matter affects more than one country subholding or head of business company that has a compliance unit or division, the processing of the file shall be coordinated by the Compliance Unit.

The Compliance Unit and/or the compliance divisions and units of the country subholding and head of business companies, based on the particular circumstances of the case, may inform the author of the communication regarding the status of the process.

The data provided through the Suppliers' Ethics Mailbox shall be included in a personal data owned by the Company, or the country subholding or head of business companies of the Group that have compliance units or divisions, for managing the communications received as well as to perform any investigations required to determine whether there has been a violation. The rights of access, rectification, erasure, and objection, when applicable, may be exercised by means of written communication addressed to the registered office of the Company or of the country subholding or head of business companies of the Group, which may be consulted at the following link <https://www.iberdrola.com/corporate-governance/structure> through a written communication addressed to the corresponding company directed to attention of the "Compliance Division", referencing the subject "LOPD".

The Company undertakes to at all times handle the personal data of the natural person making the report in an absolutely confidential manner and in accordance with the purposes set forth in this section, and shall adopt the technical and organisational measures necessary to ensure the safety of their personal data and to avoid the alteration, loss, or unauthorised processing thereof or access thereto, taking into account the state of technology, the nature of the data stored, and the risks to which it is exposed, all in compliance with the laws on personal data protection.

The companies of the Group shall in any event use the warnings required by law in each data collection form.

However, given the differences in regulation in the various countries in which the Group does business, the foregoing shall be without prejudice to the operation of the Suppliers' Ethics Mailboxes fully observing applicable law in each country in which the Group operates. The obligations and commitments assumed by the Group in its relations with third parties, as well as the customs and good practices of the countries in which it does business shall also be fully observed.

