

4.6 Social and Relationship Capital

Stakeholder relations

Iberdrola cultivates a responsible and sustainable business model, which puts Stakeholders at the centre of decisions. The company’s intent is to build relations of confidence with its various Stakeholders, as well as to deepen their engagement and sense of belonging to Iberdrola. The *By-Laws* as well as the *Mission, Vision and Values* of Iberdrola and its *Stakeholder Relations Policy* clearly express this intent.

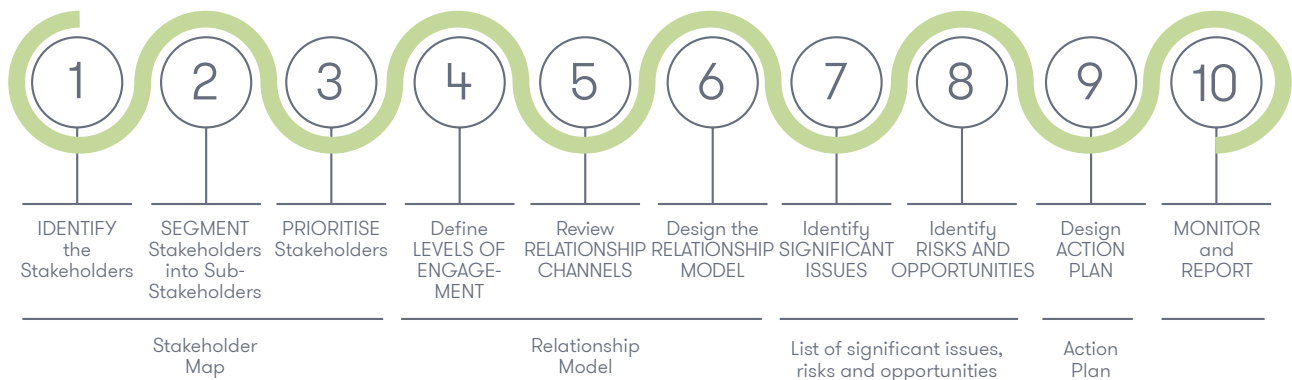
Iberdrola’s Stakeholders. Relationship principles and goals

Workforce		Suppliers	
Shareholders and financial community		Media	
Regulatory entities		Society in general	
Customers		Environment	
Principles	<ul style="list-style-type: none"> • Two-way communication • Transparency • Active listening • Equal treatment 		Objectives <ul style="list-style-type: none"> • Take into consideration the legitimate interests of the Stakeholders. • Effectively disclose information regarding the activities and businesses of the group. • Contribute to improving the reputation of the company.

Global Stakeholder Relations Management Model

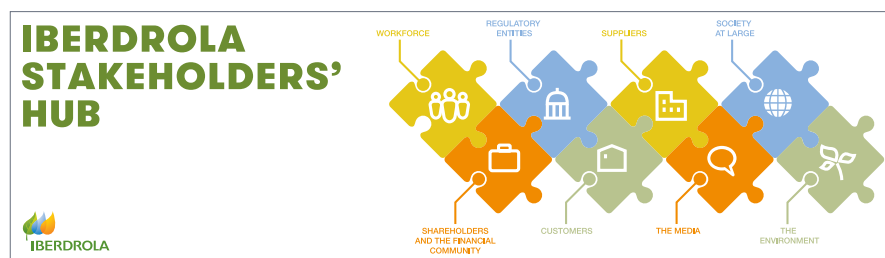
Iberdrola has a new *Global Stakeholder Relations Model* that began to be implemented in 2017. This model is based on the AA1000 Stakeholder Engagement Standard (AA1000SES) 2015 and on its three requirements of inclusiveness, materiality and responsiveness, as well as the most stringent international standards in this area.

The Model itself constitutes a process of structured continuous improvement in the following three phases:



Iberdrola implements this Model in the management of its eight Stakeholder groups in five leading countries, at the Generation and Renewables facilities and in the various geographic areas of the Networks Business.

Iberdrola Stakeholders' Hub



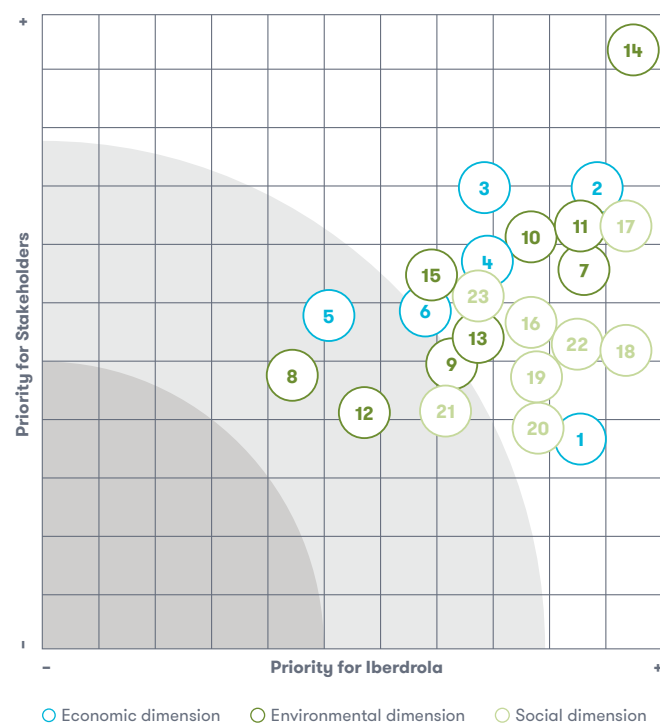
Iberdrola has an internal coordination body called the Iberdrola Stakeholders' Hub, which was created in 2017 to facilitate the implementation of the *Global Stakeholder Relations Model*, and in which the areas responsible for managing the eight Stakeholder groups participate. Representatives from the various countries are gradually being included.

Channels of communication with Stakeholders

Iberdrola has numerous channels of communication with its Stakeholders, from conventional channels accessible to everyone (telephone, email inboxes, communications, etc.), to other more specific channels (many of them digital) to address the particular nature of each Stakeholder group. Iberdrola's websites and social media channels are also essential mediums for interaction. The most important channels of communication can be found in the *Sustainability Report 2017*.

Most significant issues for Stakeholders

Implementation of the *Global Stakeholder Relations Model* allows for internal identification of the issues that are most important to these groups. Both the priority issues and Iberdrola's response are also described in the *Sustainability Report 2017*. The process of understanding significant issues is completed with a *Materiality Study* prepared by an independent firm, the priorities matrix of which is the following:



Material issues

1. Socially responsible investment
2. Economic performance
3. Ethics and integrity (anti-corruption, free competition and fiscal responsibility)
4. Responsible supply chain
6. Electric and gas infrastructure
7. Management of natural capital
9. Innovation and new business models
10. Integration of renewable energy within the electric system
11. Climate change
13. Management of biodiversity
14. Energy transition
15. Availability and management of water
16. Customer satisfaction
17. Diversity and equal opportunity
18. Occupational health and safety
19. Impact on local communities
20. Human rights
22. Attraction, development and retention of human capital
23. Connectivity, digitisation and cybersecurity

Other issues identified

5. Public policy
8. Circular economy
12. Environmental performance: "Eco-efficiency"
21. Vulnerable customers

Examples of good practices

Stakeholder panels in the United Kingdom

The Networks Business in the United Kingdom holds regular panels with Stakeholders, attended by representatives of domestic, local, industry and third sector (civil society) institutions, among others.

Customer Experience project in Spain.

The Wholesale and Retail Business launched the *Customer Experience* in Spain to evaluate the customer experience throughout the relationship cycle with Iberdrola. Focus groups, interviews, panels and surveys are carried out within this framework.

Supplier of the Year Award

The Procurement Area organises local and global awards to promote and recognise excellence, internationalisation, innovation and social responsibility among its suppliers.

Community support and electricity access programmes

Primary programmes

Activities 2017

- Contribution of €63 million to the community in the countries in which Iberdrola operates, measured according to the London Benchmarking Group (LBG) international standard.
- *International corporate volunteering programme*, offering various volunteering opportunities to employees in Spain, the United Kingdom, the United States, Brazil and Mexico.
- Entrepreneurial support: over €38 million of procurement from companies in operation for less than 5 years, and €70 million in venture capital for new initiatives with high technological value.
- Programmes and pricing to aid vulnerable groups in Spain, the United Kingdom, the United States and Brazil.
- Rural electrification programmes in Brazil, to which €278 million has been allocated.
- Programmes implemented by the foundations created by Iberdrola in the principal countries in which it operates.
- Development of the *Electricity for All* programme.

Electricity for Everyone

- The Sustainable Development Goals (SDGs) 2015-2030, approved at the UN Sustainable Development Summit in New York, entail the recognition of energy as an engine of sustainable growth.
- The *Electricity for All* programme is Iberdrola's response to this demand to extend universal access to modern forms of energy, with environmentally sustainable, financially affordable and socially inclusive models. This initiative is focused on sustainable electrification activities in emerging and developing countries.
- Iberdrola has set itself the goal of reaching 4 million beneficiaries of this programme by 2020. At year-end 2017, the programme had reached 3.9 million users.

Economic value distributed (€M)

Item	2016	2017
Procurement from suppliers	7,508	8,648
Payments to providers of capital	2,692	2,916
Payments to government administrations	2,740	2,723
Employee remuneration	2,260	2,517

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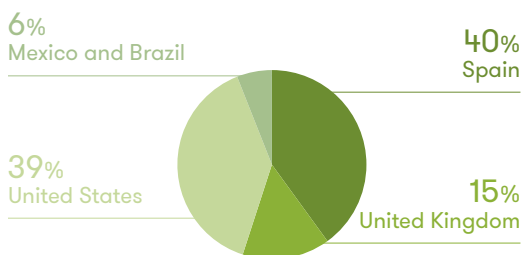
Foundations of the Iberdrola group

Activities 2017

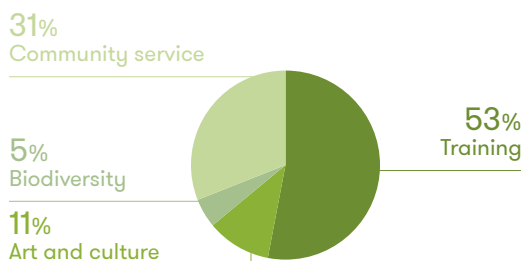
- Iberdrola has strengthened the operation of its foundations in Spain, the United Kingdom, the United States, Brazil and Mexico.
- Overall investment dedicated to activities in all countries has increased to a total of €13.5 million.
- As regards the activities themselves, four areas (Training and Research, Art and Culture, Sustainability and Biodiversity, and Cooperation and Solidarity) have been cultivated in all of the countries.
- In the training area, Iberdrola's *Scholarships and Research Assistance Programme* gave a total of 176 scholarships for students in the five countries in 2017.
- In Art and Culture, 313 restoration and illumination projects have been undertaken, including the Chapel of the Holy Chalice of the Cathedral of Valencia and the Fort of Five Points in Pernambuco. There are also collaborative efforts with the Prado Museum, the National Museum of Scotland and the Rochester International Art Festival.
- In Biodiversity and Climate Change, there is the *MIGRA* programme to protect birds in danger of extinction, in collaboration with the Royal Society for the Protection of Birds Scotland (RSPB) and multiple collaborative efforts with educational and environmental centres in the United States.
- In the area of cooperation and solidarity, there has been a strengthening of the social programme in Spain and the United States. There has been a direct impact on more than 200,000 people in all five countries.
- In 2017 the Foundations Committee, as a body coordinating all of their activities, and the corresponding Boards of Trustees of each country, approved the *New Master Plan* for the 2018-2020 period, focusing on the Sustainable Development Goals (SDGs).

Programmes 2017

Contribution by region (%)



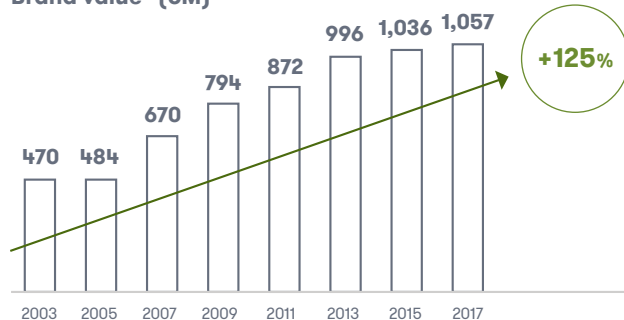
Contribution by programme (%)



Soundness and strength of the brand

- Management of the brand in such a way that it transmits the principles set out in the *Mission, Vision and Values of the Iberdrola group* and reflects the company's strategy of commitment to the environment and social responsibility.
- Consolidation of an international brand, strengthening communication and alignment under a single brand positioning strategy in the countries in which the company operates.

Brand value* (€M)



* Source: Ranking of Best Spanish Brands by Interbrand.

Evolution of the digital ecosystem

- Offer useful and dynamic information, with messages adapted to each stakeholder.
- Facilitate direct interaction with our stakeholders, overcoming barriers and making use of existing synergies.
- Iberdrola on social media and the Internet:



Reputation

- Iberdrola considers reputation to be an intangible asset of enormous value that influences aspects as important as the attraction and retention of talent, business relations with customers, valuation of the company in the capital markets, and its integration within the communities in which it does business.
- The Stakeholder Relations Model is a fundamental tool that the company uses to detect operational and business aspects that impact outside views of the company and to propose goals leading to the strengthening of reputation and its relationship with the Stakeholders.
- Additionally, both the study of best external practices in all business and relational areas as well as the analysis the analysis of content in the media are supplements to the relationship model that contribute to on-going improvement. The following image shows the variables in reputation management.



- Evaluation of reputation follows a multivariable standard that includes measurements from various sources: reputational surveys and indices, public recognition, presence on sustainability indices, etc.
- The integration of the company's financial and non-financial strategy and goals with the external communication function is another fundamental element to ensure proper transmission of the company's values.