



A Framework of Trust

5.1 Corporate Governance Model

Foundations of Iberdrola's corporate governance model

A. Corporate Governance System

Iberdrola is a leading multinational group in the energy sector that seeks to create value sustainably for all of its Stakeholders through the use of environmentally friendly energy sources. It is committed to the fight against climate change, the social dividend and the generation of employment and wealth in its surroundings, considering its employees to be a strategic asset.

Iberdrola has a Corporate Governance System made up of the *Mission, Vision and Values of the group*, the *By-Laws*, the *Corporate Policies*, the *Governance Rules of the Corporate Bodies* and *Internal Committees and Compliance*, all available at www.iberdrola.com.

The content thereof is inspired by and based on a commitment to best corporate governance practices, business ethics and social responsibility in all of its areas of activity.

Position	Director	Status	Date of last appointment	Ending date
Chairman & CEO	José Ignacio Sánchez Galán (Salamanca, Spain, 1950)	Executive	27-03-2015	27-03-2019
Director	Íñigo Víctor de Oriol Ibarra (Madrid, Spain, 1962)	Other external	08-04-2016	08-04-2020
Director	Inés Macho Stadler ⁽¹⁾ (Bilbao, Spain, 1959)	Independent	08-04-2016	08-04-2020
Director	Braulio Medel Cámara (Marchena, Spain, 1947)	Independent	08-04-2016	08-04-2020
Director	Samantha Barber (Dunfermline, Fife, Scotland, United Kingdom, 1969)	Independent	08-04-2016	08-04-2020
Director	María Helena Antolín Raybaud (Toulon, France, 1966)	Independent	27-03-2015	27-03-2019
Director	Ángel Acebes Paniagua (Ávila, Spain, 1958)	Independent	27-03-2015	27-03-2019
Director	Georgina Kessel Martínez (Mexico City, Mexico, 1950)	Independent	28-03-2014	28-03-2018
Director	Denise Mary Holt (Vienna, Austria, 1949)	Independent	27-03-2015	27-03-2019
Director	José W. Fernández (Cienfuegos, Cuba, 1955)	Independent	27-03-2015	27-03-2019
Director	Manuel Moreu Munaiz (Pontevedra, Spain, 1953)	Independent	27-03-2015	27-03-2019
Director	Xabier Sagredo Ormaza (Portugalete, Spain, 1972)	Other external	08-04-2016	08-04-2020
Director	Juan Manuel González Serna (Madrid, Spain, 1955)	Independent	31-03-2017	27-03-2021
Director	Francisco Martínez Córcoles (Alicante, Spain, 1956)	Executive	31-03-2017	27-03-2021

(1) Inés Macho Stadler is the lead independent director.

B. Governance model

Duly differentiates between the duties of strategy and supervision and those of guidance and management:

- Iberdrola's Board of Directors, made up of a large majority of independent directors (one of whom is the lead independent director), focuses its activity on the determination, supervision and monitoring of the policies, strategies and general guidelines of the Iberdrola group.
- The chairman of the Board of Directors & chief executive officer and the rest of the management team are responsible for the organisation and strategic coordination of the group.
- In the principal countries in which the group operates, organisation and strategic coordination is implemented through country subholding companies, which group together equity stakes in the head of business companies and centralise the provision of common services. Each of these companies has its own CEO.

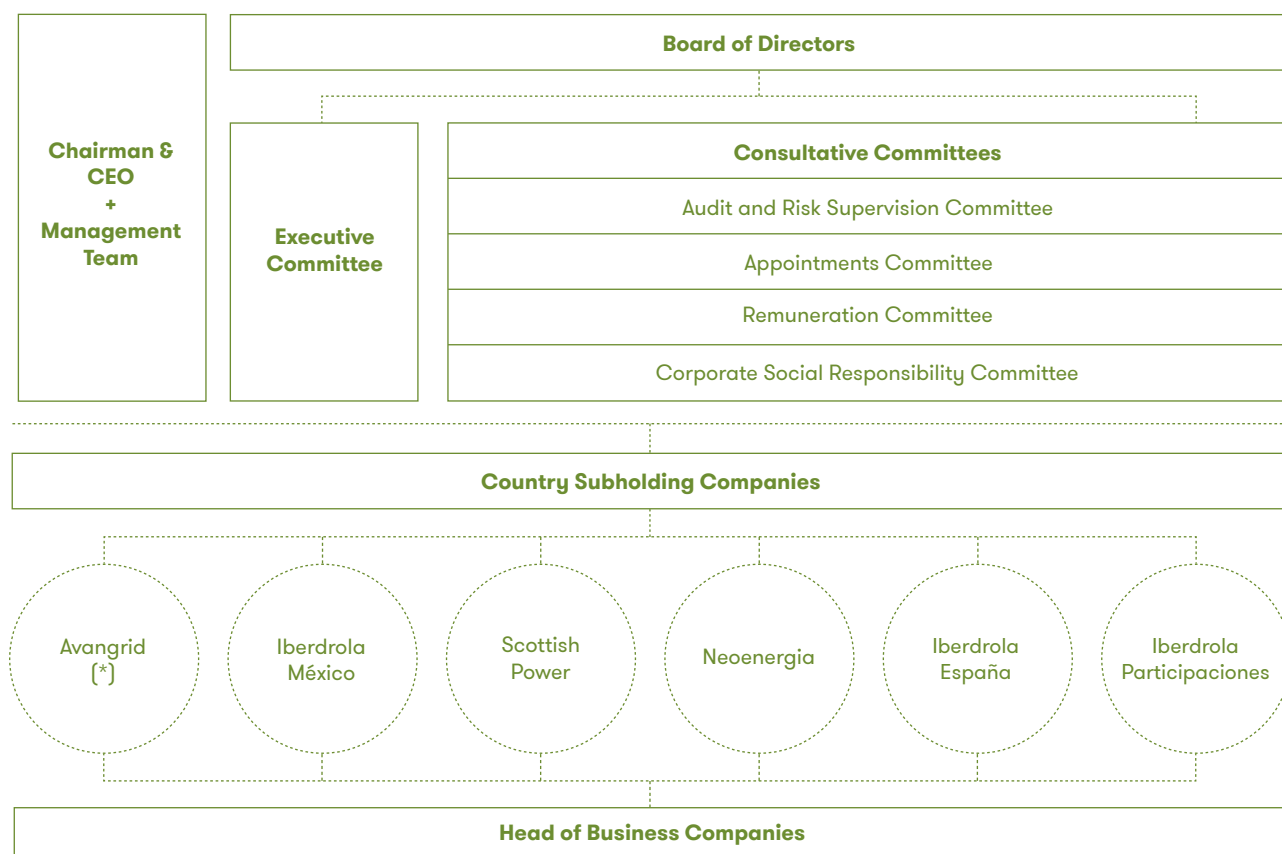
The Iberdrola group also has a country subholding company, Iberdrola Participaciones, S.A. (Sociedad Unipersonal), that groups together the non-energy businesses.

Country subholding companies have boards of directors, including independent directors, and their own audit and compliance committees, internal audit divisions and compliance units or divisions.

Listed country subholding companies like Avangrid, Inc. have a framework of strengthened autonomy.

- The head of business companies are in charge of the day-to-day administration and effective management of each business. They also have boards of directors, which include independent directors and specific management teams.
- The *Activities Report of the Board of Directors and of the Committees thereof* reports on their operation.

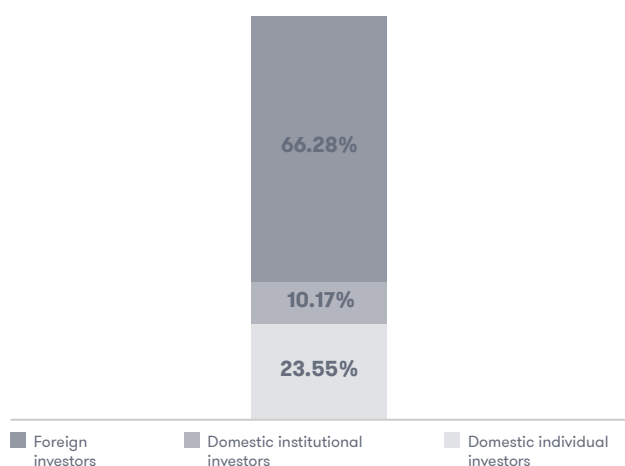
Corporate and governance structure of Iberdrola, S.A.



(*) Company listed on the New York Stock Exchange.

C. Equity structure

Iberdrola has more than 600,000 shareholders throughout the world, and none of them has a controlling interest.



Status at 31 Dec 2017.

Foreign institutional shareholders account for 66.28% of the capital.

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Iberdrola's response to the corporate governance challenge

A. Corporate governance strategy

The key elements defining Iberdrola's corporate governance strategy are:

- Shareholder engagement
- Social dividend and sustainability
- Active listening and commitment to the legitimate interests of the other Stakeholders
- Strategic leadership by the Board of Directors
- Diverse and balanced composition of the Board of Directors
- Effective system of checks and balances
- Corporate structure and Governance Model
- Prudent and balanced management of risks
- Proactive compliance function

⊙ Corporate Governance System

B. Continuous Improvement of its corporate governance rules and practices

On corporate governance matters, the company looks to the Good Governance Code of Listed Companies published by the CNMV and generally accepted practices in the international markets.

71.4% of the directors are independent.

	Director Remuneration Report
Remuneration policy	Executive directors' variable remuneration tied to objectives.
	Clause on cancellation and reimbursement of variable remuneration.
	71.4% of directors are independent.
	System of checks and balances, including a lead independent director.
Operation of the Board	Gender diversity: 5 women on the Board. All consultative committees are chaired by women.
	Diversity of skills, experience, nationality and origin.
	External evaluation of governance bodies.
	Corporate Social Responsibility Committee.
Social responsibility and corporate reputation	Social Responsibility Policies focused on the maximisation of the social dividend and Stakeholder engagement.
	Fight against Climate Change.
	General Shareholders' Meeting conceived of and certified as a sustainable event.

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C. Commitment to shareholders and investors

- The Iberdrola group has a strong industrial and financial model based on balanced growth, focused on the regulated networks businesses, renewables, and long-term contract assets, focused on the achievement of growing profits and an increase in shareholder remuneration.
- The *Shareholder Engagement Policy* is intended to understand the opinions and concerns of the shareholders in the areas of corporate governance and social responsibility, encourage their sense of belonging and align their interests with those of Iberdrola.
- Boost shareholders' participation throughout the year, and especially at the General Shareholders' Meeting.

The quorum in attendance at the 2017 General Shareholders' Meeting was 77.2%.



D. Remuneration policy

- Director remuneration aligned with strategic objectives and shareholder return. The remuneration model for directors is based primarily on three components:

Remuneration model for the Board

Type of remuneration	External (non-executive) directors	Executive directors
Fixed	According to their duties	On market terms.
Short-term variable	Not applicable	Tied to financial and non-financial targets.
Long-term variable	Not applicable	Tied to multi-annual targets payable in shares (3-year accrual period and payment deferred over 3 years following accrual).

The *Annual Director Remuneration Report 2016* received 96.74% votes in favour (not counting abstentions or blank votes).

Parameters to which the annual variable remuneration of executive directors is tied in 2018

Financial	Results. Shareholder return. Financial strength. Operational efficiency.
Social responsibility	Presence on international indices. Encourage gender equality in management positions. Professional training. Occupational safety.

Parameters to which the multi-annual variable remuneration of executive directors is tied (2017-2019)

Growth in net profit.
Total shareholder return.
Maintenance of financial strength.
Reduction in CO₂ emissions.

Principal activities of the Board of Directors

Key issues in 2017

Iberdrola's Board of Directors has focused its activities mainly in the following areas:

Strategy

Growth	The Board of Directors designs the group's strategy and decides the key investments.	Long-term view of the electricity industry and of the principal challenges and trends.
		Update of the <i>Outlook 2016-2020</i> , with an increase in investments of €1,000 million.
		Approval of the strategy and budgets for financial year 2018.
		Monitoring of the inclusion of the businesses of Elektro into Neoenergia, creating a leading electric company in Brazil and Latin America.
Sustainable remuneration	The Board of Directors reviews the alignment of shareholder remuneration with the group's performance.	Shareholder remuneration 2016-2020 in line with the increase in results, with a pay-out in the range of 65-75%.
		Approval of an increase of close to 11% in shareholder remuneration with a charge to 2016.
		Establishment of the <i>Iberdrola Flexible Remuneration</i> scheme.
Maximisation of social dividend	The Board of Directors defines the guidelines that direct the group's activities in the area of social responsibility.	Evaluation of contribution to and impact on society using parameters that determine the <i>Social Dividend</i> .
		Update of the company's strategic positioning in relation to <i>Climate Change</i> and integration of the <i>Sustainable Development Goals</i> into the strategy.
		Supervision of the group's activities in the area of sustainability and <i>Social Responsibility</i> .
		Update of the <i>Stakeholder Relations Policy</i> and the <i>Policy on Respect for Human Rights</i> .
Financial strength	The Board of Directors monitors the evaluation of the financial situation to ensure economic/ financial strength over the long term.	Monitoring of the financing policy and of the principal transactions in the capital markets.

Supervision

Supervision	The Board of Directors, with the support of the Executive Committee, supervises the implementation of the group's strategy and the development of the group's organisational model on an ongoing basis.	Detailed study of the markets, with special attention on issues with strategic impact.
		Monitoring of the corporate reorganisation in Brazil.
		Regular supervision of key financial indicators.
		Supervision of the implementation of the strategy to maximise the social dividend.

© **Activities Report of the Board and its Committees**

Risk supervision

The Board of Directors monitors the level of risk by means of periodic tracking of the most significant threats.

Regular supervision and control of **corporate risks**.

On-going review of the internal control system.

Amendment and update of the Risk Policies.

Supervision of the **Strategic Plan** and cybersecurity risks.

Corporate governance

Ongoing efforts to identify and implement best corporate governance practices are key pillars for the creation of sustainable value.

Selection and composition of the governance bodies.

Analysis of the composition of the committees of the Board of Directors.

Appointment of new directors.

Evaluation and re-election of directors.

Making various improvements designed to encourage shareholder participation in the General Shareholders' Meeting.

Approval of the remuneration of the directors and senior officers.

Subsequent reforms of the Corporate Governance System.

Coordination and supervision of the process of evaluation of the Board of Directors.

Social responsibility and sustainability

The Board is committed to the fight against climate change, the development of clean energy and respect for the environment and biodiversity, as well as the maximisation of the social dividend.

Modification of various Social responsibility and sustainability policies.

Approval of incentives to strengthen the group's commitment to innovation.

Monitoring the group's activities in the area of Social Responsibility and the alignment thereof with the main leading bodies.

Review of the company's cybersecurity activities and protocols for conduct in the event of reputational impact.

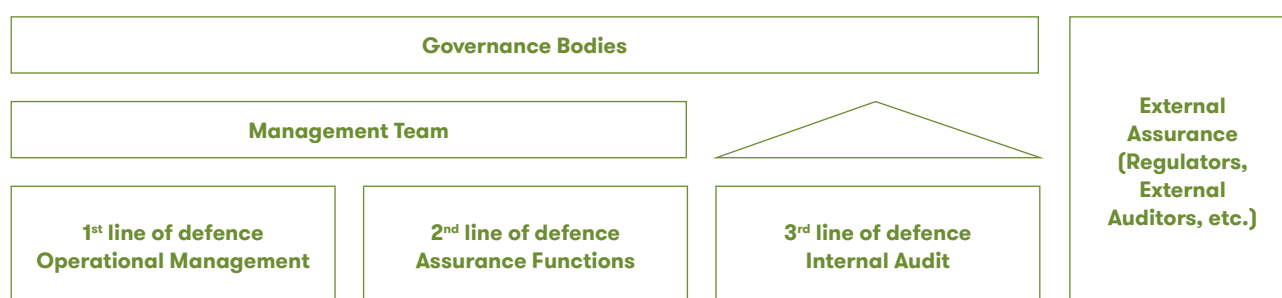
The Board of Directors has focused its work on defining strategy, monitoring the implementation and control of risks and advancing best corporate governance practices.

5.2 Three Lines of Defence

Three lines of defence model

The Internal Control System of Iberdrola and the companies of its group is configured by reference to international best practices.

It is based on a guarantee combined around three lines of defence, providing a comprehensive view of how the different parts of the organisation interact in an effective and coordinated manner, increasing the efficiency of the processes for management and internal control of the entity's significant risks.



Based on the document "Guidance on the 8th EU Company Law Directive, article 41" ECIIA/FERMA, September 2010.

1st line of defence

Operational Management

As the first line of defence, the management team and the professionals of Iberdrola and its group are the direct managers of the risks of the entity.

Thus, the company's Management is responsible for maintaining effective control and implementing procedures to control risks on a continuous basis.

Internal Control Objectives (COSO. May 2013)

Operations objectives- Pertain to the effectiveness and efficiency of the entity's operations, including operational and financial performance goals, and safeguarding assets against loss.

Reporting objectives- Pertain to internal and external financial and non-financial reporting and may encompass reliability, timeliness, transparency or other terms as set forth by regulators, recognised standard setters or the entity's policies.

Compliance objectives- Pertain to adherence to laws and regulations to which the entity is subject.

© **Significant Risks Facing Iberdrola's Primary Businesses**
/ pages 50, 54, 58

2nd line of defence

Assurance Functions

As the second line of defence, certain functions provide the foundation for the entity's internal control system, proposing guidelines to the Board of Directors and monitoring how the first line of defence implements them.

The primary assurance functions within Iberdrola, within their respective areas of responsibility, are: (i) the group's Risk Division, within the framework of its functions within the Comprehensive Risk Control and Management System; (ii) the Compliance Unit, which is responsible for proactively ensuring the effective operation of the Compliance System; and (iii) the Internal Control Division, which is part of the Administration and Control Division, within its duties relating to the internal control and risk management systems in relation to the preparation of financial information (ICFRS).

Iberdrola adopts the three lines of defence model to ensure effective and integrated management of its Internal Control System.

© **Comprehensive Risk Control and Management System**
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© **Compliance Unit**
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3rd line of defence

Internal Audit

The function of the Internal Audit area, as the third line of defence, is to proactively ensure the proper functioning of the internal control, risk management, and governance systems, systematically auditing the first and second lines in the performance of their respective duties of management and control.

To ensure its independence, the director of the Internal Audit Area reports hierarchically to the chairman of the Board of Directors and functionally to the Audit and Risk Supervision Committee. The Internal Audit divisions of the various country subholding companies have this same positioning, and are coordinated under the framework of the *Basic Internal Audit Regulations of Iberdrola and its group*.

The 2017 annual activity plans of the Internal Audit Area Division of Iberdrola and of the Internal Audit divisions of the group, with a risk-based focus looking to support the achievement of the company's goals, responded to the requirements established by the Audit and Risk Supervision Committee of Iberdrola and the respective Audit and Compliance Committees of the country subholding companies, and included work for the senior management and the rest of the organisation, including:

- Half-yearly reviews of the operation of the most critical controls of the Internal Control Over Financial Reporting (ICFR) System, as well as reviews of the various cycles of preparation of the financial information of Iberdrola, S.A. and the various companies of the group, within the framework of the general goal of reviewing the entire ICFR over a period of 3 years.
- Audits of key corporate and business processes and risks, based on the Risk Policies approved by the Board of Directors on an annual basis.
- Audits of compliance programmes and frameworks established by the group in the various areas of application, such as the crime prevention programme and the regulatory compliance programmes of the businesses.

Continuing with the commitment made in 2005, the Internal Audit area submits to an exhaustive review every five years of compliance with professional internal audit rules (called a Quality Assurance Review) by the Global Institute of Internal Auditors. During the last review in 2015, the certification of Iberdrola, S.A. and of ScottishPower was renewed and the scope of the certification was expanded to include Iberdrola España and Avangrid.

Furthermore, since the Internal Audit area obtained ISO 9001 certification in 1999, it has continued to renew it annually, with an update to version ISO 9001:2015 in 2017. This ensures that all of the group's internal auditors perform duties under the same framework and that such framework is aligned with the international professional rules of the function.

Basic Internal Audit Regulations of Iberdrola, S.A. and its group

Approved by the Board of Directors of Iberdrola upon a proposal of its Audit and Risk Supervision Committee (updated on 15-Dec-2015).

Defines its nature, as an independent internal unit, and establishes the regulation, competencies, powers and duties of Internal Audit, among other things.

Establishes the framework of relations with: i) the Board of Directors, its Chairman and Committees; ii) the Internal Audit divisions of the other companies of the group; and iii) the rest of the organisation.

Disseminates the knowledge of the Internal Audit function among the professionals of the group.

Serves as a reference for the management model and the quality system of the Internal Audit Area of the company and the Internal Audit divisions of the other companies of the group.

External assurance

Regulatory bodies and other entities external to the organisation play a significant role in the general structure of governance, internal control and risks of Iberdrola, especially in the regulated businesses. The regulators establish requirements intended to strengthen the controls of an organisation and perform a function of independent and separate monitoring, and the auditors provide assurance regarding the true and fair view of the entity's financial information. In this regard, the powers of the Audit and Risk Supervision Committee of Iberdrola and the Audit and Compliance Committees of the country subholding companies include ensuring the preservation of the independence of the auditors in the performance of their duties.

© Regulatory Environment
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© Audit Report on the Consolidated Financial Statements

5.3 Risks

Risk management within the Iberdrola group is based on foresight, independence, commitment to the group's business objectives and the engagement of senior management and the Board.

Commitment of the Board of Directors and of senior management

Iberdrola's Board of Directors and senior management is strongly committed to and engaged in the management of the group's risks:

- **Ex-ante:** acceptable levels of risk tolerance are reviewed and approved on an annual basis through risk policies and limits that establish the qualitative and quantitative risk appetite at the group level and at each of the main businesses and corporate functions.
- **Ex-post:** periodic monitoring of significant risks and threats and the various exposures of the group, as well as of compliance with the approved risk policies, limits and indicators.



Comprehensive Risk Control and Management System

The *General Risk Control and Management Policy* of the group approved by the Board of Directors establishes the mechanisms and basic principles for appropriate management of the risk/opportunity ratio, at a risk level that makes it possible to:

- Attain strategic goals with controlled volatility.
- Provide the maximum level of assurance.
- Protect the results and reputation of the group.
- Defend the interests of the Stakeholders and guarantee the business stability and financial strength of the group.

At the operational level, the Comprehensive Risk Control and Management System is structured around a Risk Committee and an independent specialised Risk Division that analyses and quantifies the risks within the main businesses of the group.

Duties of the Risk Division

Active management

Credit risk. Approval of counterparties and limits and/or establishment of admission criteria in order to minimise credit losses within the group.

Market risk. Approval of detailed limits in order to delimit the effects of volatility in the markets in which the group operates.

ERM* focus

Ensure that there are mechanisms for all significant risks of the group to be adequately identified, measured, managed and controlled at all times and that they are regularly reported to the various committees.

Instruments and reports:

- Risk policies and risk limits and indicators.
- Quarterly report on key risks.
- On-going monitoring and detection of emerging risks.

Operational risk is centrally managed through the group's corporate Insurance, Information Technology and Cybersecurity units.

(*) ERM: Enterprise Risk Management.

Risk policies and limits of the Iberdrola group

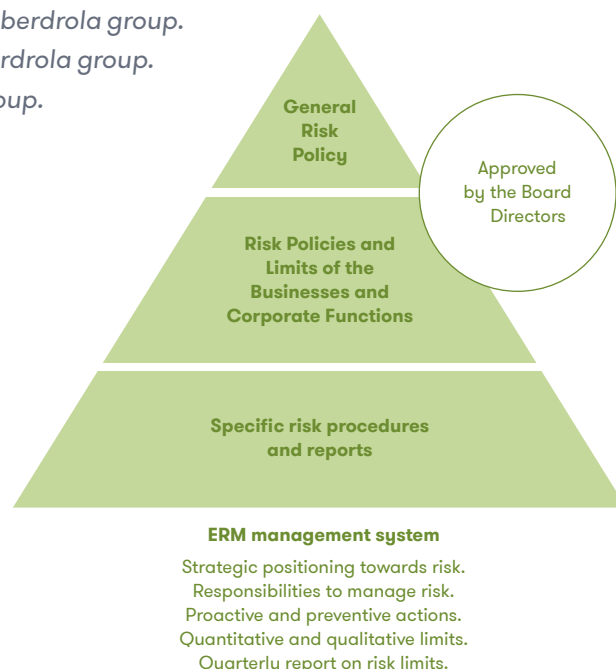
The *General Risk Control and Management Policy* is further developed and supplemented with specific policies established in relation to certain risks, corporate functions or businesses of the group, which are also annually approved by the Board of Directors at the head of the group, and which are as follows:

Specific risk policies for the various businesses of the group:

- Risk Policy for the Wholesale and Retail Businesses of the Iberdrola group.
- Risk Policy for the Renewable Energy Businesses of the Iberdrola group.
- Risk Policy for the Networks Businesses of the Iberdrola group.
- Risk Policies for the Real Estate Business.

Corporate risk policies:

- Corporate Credit Risk Policy.
- Corporate Market Risk Policy.
- Operational Risk in Market Transactions Policy.
- Insurance Policy.
- Investment Policy.
- Financing and Financial Risk Policy.
- Treasury Share Policy.
- Risk Policy for Equity Interests in Listed Companies.
- Reputational Risk Framework Policy.
- Procurement Policy.
- Information Technologies Policy.
- Cybersecurity Risk Policy.



The country subholding companies adopt the group's risk policies and specify the application thereof, approving the guidelines on specific risk limits, based on the nature and particularities of the businesses in each country. The listed country subholding companies, under their own special framework of strengthened autonomy, approve their own risk policies.

Principal risk factors of the Iberdrola group

The group is exposed to various risks inherent in the different countries, industries and markets in which it operates, and which may prevent it from achieving its objectives and implementing its strategies. These risks are grouped into:

Credit risks: possibility of contractual breach by a counterparty, causing economic or financial losses.

Market risks: exposure to volatility in variables like prices of electricity and other energy commodities, exchange rate, interest rate, etc.

Business risks: deriving from the uncertainty of the behaviour of variables intrinsic to the business, characteristics of demand, climatology, etc.

Operational, Technological, Environmental, Social and Legal Risks: economic losses resulting from inadequate internal procedures, technical failures, human errors, climate change, etc.

Political and regulatory risks: coming from regulatory changes made by the regulators that can affect remuneration of the regulated businesses, environmental or tax provisions, etc.

Reputational risks: potential negative impacts on the company arising from performance below the expectations of its Stakeholders.

Corporate governance risks: those that endanger the corporate interest and strategy of the company.

Risk factors and mitigation measures

Greater detail is offered below regarding the main risk factors for the income statement of a specific financial year and the main measures of mitigation to address them.

Price and demand risks			
Changes in the price of electricity	The main variable affecting the results of the group's Wholesale and Retail Businesses as regards market prices is the price of electricity, which relatively corresponds to the price of fuel and applicable emission rights, required to produce such electricity.		
	The group's Renewables Businesses preferentially sell their energy at: i) regulated tariff; or ii) fixed price via PPAs. The remaining market exposure of the Spain and United Kingdom Renewables Businesses is transferred to the Wholesale and Retail Business of such countries.		
Changes in energy commodity prices	Offsetting at-risk positions between wholesale and retail activities allows for a large reduction in the group's market risk; the remaining risk is mitigated via diversification of purchase/sale agreements and the specific clauses thereof, and by trading in derivatives.		
	– Spain	● Integrated Wholesale, Retail and Renewables Risk (Windfarms prior to 2004)	
	– United Kingdom	● Integrated Wholesale, Retail and Renewables Risk (power component of wind farms subject to ROCs)	
	– Mexico	● The PPAs with the CFE do not have a market risk	
	– United States	● For windfarms exposed to the market	
Change in demand	Higher or lower growth in annual demand has a moderate short-term impact on the group's results, given the characteristics of the group's generation facilities and the structure of the long-term power purchase agreements.	Possible impact of 1% reduction in demand	● Wholesale and Retail Spain ● Wholesale and Retail United Kingdom
Resource risks			
Change in hydroelectric resources Spain	In the long term, wet years compensate for dry years. In the short-to-medium term, the storage capacity of multi-year reservoirs and the group's portfolio of power plants mitigate the level of volatility of the annual results.	Possible impact of lower hydroelectric production (*)	● Spain Wholesale and Retail Business
Change in wind resources of the group	The geographical spread of the Iberdrola group's wind farms mitigates the annual volatility of wind production at the group level and its possible impact on results for a specific year.	Possible impact of lower wind production	● Group Renewables Business
(*) Corresponding to dry year, followed by two dry or semi-dry years.			
Financial risks			
Change in interest rate	In order to mitigate this risk, the Iberdrola group maintains a fixed-rate and variable-rate debt structure, based on the structure of its revenues and the sensitivity thereof to changes in interest rates.	Possible impact on financial cost of +25 bps increase	● Group financial cost
Change in exchange rate	The group mitigates this risk by taking on debt and carrying out all its financial flows in the functional currency corresponding to each company, whenever possible and economically efficient, and managing its open positions with financial derivatives. The risk associated with the translation of expected results from subsidiaries in a currency other than the euro is closed out annually.	Possible impact on financial cost of 5% increase in currency	● Group financial cost
Other risks			
Credit risk	This risk is appropriately managed and limited based on the type of transaction and the credit standing of the counterparties. As regards the credit risk of accounts receivable for retail activity, late payments/defaults have been kept to moderate levels, close to 1% of the total invoicing for this activity.		
Operational risk	These risks are mitigated by making the necessary investments, applying operation and maintenance procedures and programmes (supported by quality systems), planning appropriate training and skills development for staff, and finally by obtaining appropriate casualty and civil liability insurance.		
Regulatory and political risk	The group is subject to laws and regulations on tariffs and other regulatory aspects of its activities in the countries in which it does business. The introduction of new laws/regulations or amendments to existing ones could adversely affect operations, annual results and the financial value of the businesses of the group.		

● <15 M€ ● 15-50 M€ ● >50M€



Reception at Iberdrola Tower, Bilbao
/ Spain

© Fernando Gómez

5.4 Ethics and Social Responsibility

Compliance Unit

Iberdrola has a Compliance Unit, as a collective, internal and permanent body linked to the Corporate Social Responsibility Committee of the Board of Directors.

There are also Audit and Compliance Committees at the level of each country subholding company and/or head of business company. Their duties include promoting a culture of ethical behaviour and zero tolerance for the commission of unlawful acts or fraud.

Iberdrola's Compliance System is made up of the substantive rules, formal procedures and major activities within the group to encourage the organisation to act in accordance with applicable ethical principles and legal provisions, through a set of procedures and actions designed to prevent, detect and react to irregular actions, fraud or actions contrary to the Iberdrola group's *Code of Ethics* or applicable laws and regulations.

Main activities in the area of ethics and compliance

Within the framework of the Compliance System, the group engages in various monitoring actions and systems in different areas relating to regulatory compliance.

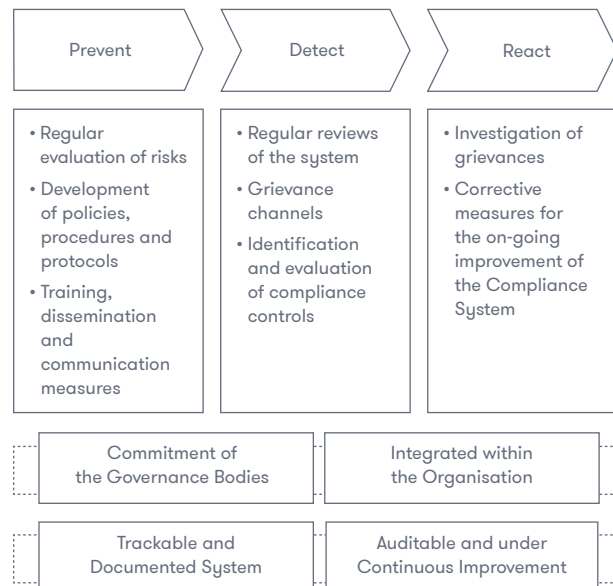
These include (i) the crime prevention programmes, which are developed within the provisions of the Spanish Criminal Code (without prejudice to additional actions required by the laws of any other jurisdiction in which the group does business), (ii) measures for compliance with the *Code of Ethics*, which includes specific training and communication plans for all professionals of the group, as well as the grievance channels, and (iii) specific internal rules on fraud and corruption.

Iberdrola also has a Compliance Unit Office (the "Office"), managed by the Iberdrola's Compliance Director and made up of members representing the areas or functions with responsibility or powers in areas relating to compliance. These functions are coordinated through the Office, thus ensuring the effective functioning of the Compliance System as a whole.

Powers of the Unit

The Compliance Unit has powers related to the *Code of Ethics*, the *Anti-Corruption and Anti-Fraud Policy*, the *Crime Prevention Policy*, the *Internal Regulations for Conduct in the Securities Markets*, legal provisions regarding the separation of activities, and all other powers that may be entrusted thereto by the Corporate Social Responsibility Committee or the Board of Directors of the company or that are established in Iberdrola's Corporate Governance System.

The Iberdrola group's compliance system



Principal recognitions

In 2017 AENOR granted Iberdrola certification under the *UNE-ISO 37001* standard, by which it is verified that the company has an effective anti-bribery management system, resulting in Iberdrola being the first Spanish company and one of the first in the world to obtain this recognition.

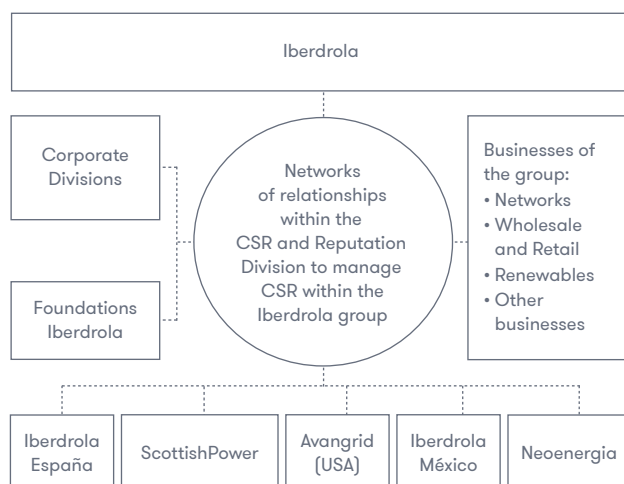
AENOR has also certified that the Iberdrola's criminal compliance management system is effective and conforms to the provisions of the *UNE 19601* standard. Finally, Iberdrola has been chosen for the fifth consecutive year as one of the most ethical companies in the world, according to the *World's Most Ethical Companies* ranking prepared by the *Ethisphere Institute*. This ranking recognises organisations that are committed to ethical leadership and behaviour at the corporate level.



Iberdrola considers its corporate values to include ethical principles, good governance and transparency, and social commitment.

Organisation of social responsibility within the group

The Iberdrola group has an organisational structure designed to promote and manage responsible actions with its Stakeholders.



The Corporate Social Responsibility and Reputation Committee and the CSR and Reputation Committees of the country subholding companies coordinate the balanced development of social responsibility within the Iberdrola group. The CSR Committee of the Board of Directors performs the duties of supervision within its purview.

CSR plans of the group

2015 saw the approval of the *CSR Plan 2015-2017* for the Iberdrola group, covering five areas of activity (dialogue with local communities, measurement tools, etc.), with a focus based on the various Stakeholders groups.

The CSR Plan is made up of various programmes, projects and monitoring indicators, both cross-sectional for all involved organisations of Iberdrola as well as specific for each business or corporate area of the company.

Monitoring of the Plan is analysed on a half-yearly basis by the Corporate CSR and Reputation Committees and the CSR Committee of the Board of Directors.

At the time of publication of this report, this plan was already satisfactorily completed, and a new CSR Plan is being prepared.

External awards

Only European electric utility included in the 18 editions, regarded as one of the eight top sustainable electric utilities in the world.



Top utility with nuclear assets selected for the index 7 years in a row.



A rating in CDP Climate Change.



Iberdrola a sponsor.



Iberdrola selected AAA.



Iberdrola selected.



Classified as "Silver Class" in the electricity sector.



First Spanish utility and fifth worldwide.



Leader among Spanish utilities: energy, gas and water.



Iberdrola classified as Prime.



Iberdrola classified as the top utility in the sustainability reporting performance 2017 report.



Rated on the Stoxx ESG Leaders/Eurostoxx Sustainability 40.



Only utility in continental Europe included in the index.

