

Anti-Corruption and Anti-Fraud Policy

19 December 2017

■ Contents

<u>1. Purpose</u>	2
<u>2. Scope</u>	2
<u>3. Principles of Conduct</u>	2
<u>4. Review</u>	3

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.

Corruption and fraud stifle economic growth, weaken democracy and undermine social justice and the Rule of Law, causing serious harm to the economy and to society, and in many cases facilitates the operations of organised crime.

Pursuant to the provisions of the *Mission, Vision, and Values of the Iberdrola group*, IBERDROLA, S.A. (“Iberdrola” or the “Company”), which is a leader by virtue of its firm commitments to ethical principles, assumes the responsibility of actively participating in the challenge of fighting corruption and fraud in all of its areas of activity. For such purposes, the Company’s Board of Directors, which is vested with responsibility for formulating the strategy and approving the *Corporate Policies* of the Company and for organising the internal control systems, approves this *Anti-Corruption and Anti-Fraud Policy*.

1. Purpose

The *Anti-Corruption and Anti-Fraud Policy* is intended to convey to all officers and employees of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), as well as to third parties establishing relations therewith, an unambiguous message of opposition to corruption and fraud in all of their manifestations, and the Group’s desire to eradicate them in all of its activities.

This *Anti-Corruption and Anti-Fraud Policy* is a commitment to unwavering vigilance and punishment of fraudulent acts and conduct or acts or conduct fostering corruption in all of its manifestations, to maintain effective mechanisms for communication and awareness-raising among employees, and to develop a corporate culture of ethics and honesty.

In the area of crime prevention, the principles contained in this *Anti-Corruption and Anti-Fraud Policy* take specific shape in the *Crime Prevention Policy*.

2. Scope

This *Anti-Corruption and Anti-Fraud Policy* shall apply to all officers and employees of the Company and of the other companies belonging to the Group.

The Group has a governance model in which decentralised executive responsibilities are assumed by the head of business companies of the Group, which enjoy the independence necessary to carry out the day-to-day administration and effective management of each of the businesses and are assigned the responsibility for the day-to-day control thereof through their respective boards of directors and management decision-making bodies, which, with the supervision of the Compliance Unit and other competent bodies, ensure the implementation and the monitoring of the action principles set forth in this *Anti-Corruption and Anti-Fraud Policy*, without prejudice to appropriate coordination at all levels within the Group. This model is complemented with the existence of country subholding companies in those countries in which the Company’s Board of Directors has so decided and a country subholding company that groups together certain equity interests in other entities, including the non-energy head of business companies, with a presence in various countries. Country subholding companies are responsible for disseminating, implementing, and ensuring compliance with the policies, strategies, and general guidelines of the Group in each of their respective countries and with respect to the businesses grouped within each of them, taking into account the characteristics and unique aspects of such countries.

The listed country subholding companies may approve their own anti-corruption and/or anti-fraud policy applicable to said company and its subsidiaries to comply with the requirements applicable thereto due to its status as a listed company. The policy must in any case be in accord with the principles set forth in this *Anti-Corruption and Anti-Fraud Policy*.

Furthermore, all persons acting as representatives of the Group at companies and entities not belonging thereto shall comply with the provisions of this *Anti-Corruption and Anti-Fraud Policy* and shall promote, to the extent possible, the enforcement of its principles at the companies and entities at which they represent the Group.

In any event, the country subholding and head of business companies may adopt policies and rules that adapt and develop the principles contained in this *Anti-Corruption and Anti-Fraud Policy* to the particular nature of each jurisdiction or business, reporting them to the Company’s Compliance Unit. Officers and employees of the Group who are also subject to other policies or rules, whether applicable to a particular industry or deriving from the national laws of the countries in which they carry out their activities, shall also be bound hereby. Appropriate coordination shall be established in order to ensure that such policies or rules are consistent with the principles set out in this *Anti-Corruption and Anti-Fraud Policy*.

3. Principles of Conduct

The principles governing the *Anti-Corruption and Anti-Fraud Policy* are the following:

- a) 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.
- b) Iberdrola fosters a preventive culture based on the principle of “zero tolerance” towards corruption in the businesses in all its forms, as well as the commission of other wrongful acts and in fraud matters and on the application of principles of ethical and responsible behaviour by all professionals of the Group, irrespective of their level and the country where they work.
- c) This principle of “zero tolerance” towards corruption in the businesses is of an absolute and primary nature regarding the possibility of obtaining any type of financial benefit for the Group or its professionals when based on a business or transac-

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.



tion that is unlawful or contrary to the principles set out in the *Mission, Vision and Values of the Iberdrola group* and specified in the *Code of Ethics*.

- d) Relations between the professionals of the Group and any government administration, authorities, public officials or other persons who participate in the exercise of public functions, as well as political parties and similar institutions shall in any event be governed by the principles of cooperation, transparency and honesty. The companies of the Group have specific procedures to prevent any conduct that might be considered an act of corruption or bribery, the application of which is supervised by the Compliance Unit and the compliance divisions of the Group.
- e) The professionals of the Group participate in appropriate training programmes, both in person and online or by any other appropriate method, with a frequency sufficient to ensure that their knowledge in this area is kept up to date. In particular, the professionals of the Group shall receive specific training regarding the *Code of Ethics* to prevent any instance of fraud, corruption or bribery.
- f) The companies of the Group promote a transparent environment, maintaining appropriate internal channels to favour the communication of possible irregularities, including the use of the channel of communication with the Audit and Risk Supervision Committee to report financial or accounting irregularities, and the Ethics Mailboxes, which allow professionals of the Group, suppliers, and shareholders of the Company to communicate conduct that may entail a breach of the Company's Corporate Governance System or the commission by a professional of the Group of an act contrary to the law or to the rules of the *Code of Ethics*.
- g) The Group undertakes not to engage in any direct or indirect retaliation against persons who have used the channels referred to above or by any other means to report the commission of any improper conduct or any act contrary to law or the Corporate Governance System, including the rules of conduct of the *Code of Ethics*, unless they have acted in bad faith.
- h) The risks associated with fraud, corruption and bribery are sufficiently considered in all internal procedures of the Group's companies, and particularly in all processes that involving the relationships thereof with third parties.
- i) The Group's relationship with its suppliers is based on legality, efficiency, and transparency. Ethical and responsible behaviour is one of the pillars of the Group's conduct, and its suppliers must 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.

4. Review

The Corporate Social Responsibility Committee shall periodically review the contents of the *Anti-Corruption and Anti-Fraud Policy*, ensuring that it reflects the recommendations and best international practices from time to time in effect, and shall propose to the Board of Directors those amendments and updates that contribute to the development and ongoing improvement thereof, taking into account any suggestions or proposals made by the Compliance Unit or the professionals of the Group.

This *Anti-Corruption and Anti-Fraud Policy* was initially approved by the Board of Directors on 20 December 2016 and was last amended on 19 December 2017.