

Knowledge Management Policy

15 December 2015

The Board of Directors of IBERDROLA, S.A. (the “Company”), aware that intellectual capital is the basic foundation for the creation and protection of the Company’s value, has established as a strategic objective the need to implement an appropriate *Knowledge Management Policy* that fosters initiatives, procedures, and tools that allow the Company to truly and effectively exploit such intellectual capital.

1. Purpose

The goal of this *Knowledge Management Policy* is dissemination and sharing of the Company’s existing knowledge, continuous learning, and cultural exchange, so as to enhance operational efficiency through the proper use of intellectual capital, always furthering the interests of the Company and of the companies belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “Group”), and without prejudice to specific policies that may be established at particular companies of the Group.

In a world where traditional production assets are ever more readily accessible, it is intellectual capital that distinguishes competitive companies from non-competitive ones, and companies that create value in a sustainable manner from companies that gradually lose their ability to generate wealth.

The intellectual capital of the Company depends to a large extent on all of its people, but also depends on its operational and organisational structures and on internal and external relations with all stakeholders. Organisational and personal training must therefore be permanent and ongoing, and must be in line with the strategy of the Group.

The markedly strategic character of the Company’s knowledge management requires constant work in order to improve initiatives and the application thereof at all of the Company’s business units.

2. Main Principles of Conduct

To achieve these goals, the Group accepts and promotes the following main principles that must inform all of its knowledge management activities:

- a) Think of the Group as a system made up of connections among people and working groups. The knowledge of each person or group must be identified and accessible to the whole, so as to produce knowledge-based operational leverage.
- b) Recognise the value of the knowledge existing at the Group and promote its development as a key value-creation tool.
- c) Integrate the Group’s tangible and intangible assets to create the objective conditions required to structure an intelligent organisation, with ongoing learning capacity and of innovation.
- d) Align knowledge management with the competences and requirements set out in the Group’s strategy.
- e) Define the required models of management, measurement, processes, and systems by integrating the vision of the various business units, in order to understand and develop mechanisms to ease the flow of knowledge within the existing organisational structure. This allows for the sharing of experiences and ensures that constant attention is given to the operation of the organisation as a whole.
- f) Foster the sharing of the knowledge existing at the Group to the greatest extent possible, putting in place the necessary resources to enable its development, its internal dissemination through training, and the efficient use thereof. This shared intelligence is creative and innovative, and greater than the mere sum of the individual intellectual capabilities involved. Emphasis will be placed on the creation and enhancement of organisational connections (networks), as well as on the cohesion of teams.
- g) Evaluate the intellectual capital existing at the Group in a consistent and sustained manner over time, in order to be able to assess the effectiveness of the initiatives implemented under this *Knowledge Management Policy*, correct defects, and promote new actions.
- h) Implement actions for improvement to bring the Group ever closer to excellence in knowledge management.
- i) Respect the intellectual and industrial property rights of third parties in the knowledge management of the Group.

3. Knowledge Management Strategy of the Listed Country Subholding Companies of the Group

The provisions of this *Knowledge Management Policy* shall in any case be deemed to be without prejudice to the strengthened autonomy enjoyed by the listed country subholding companies of the Group to determine their own knowledge management strategy, which must be consistent with the principles set forth in this *Knowledge Management Policy*.

This *Knowledge Management Policy* was initially approved by the Board of Directors on 16 December 2008 and was last amended on 15 December 2015.