

Policy Against Climate Change

06 April 2016

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with responsibility for formulating strategy and approving the *Corporate Policies* of the Company, and for organising the internal control systems. Pursuant to the provisions of the *Mission, Vision, and Values of the Iberdrola group*, and aware of its commitment to the environment generally and to the fight against climate change particularly, it approves this *Policy against Climate Change*.

1. Purpose

Climate change is one of the most important challenges that humanity must face in the 21st century. The use of fossil fuels has caused a considerable increase in greenhouse gas emissions, which have accelerated global warming.

The Company and the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “Group”), recognise the seriousness of the threat that such global warming entails, which must be faced in a collective and coordinated manner by governments, multilateral agencies, the private sector, and society as a whole.

Along these lines, the Company commits to assuming a position of leadership in the fight against climate change, to promote a corporate culture focused on promoting awareness-raising among all of its stakeholders regarding the magnitude of this challenge and the benefits associated with resolving it, identifying specific actions in the area of mitigation and adaptation.

The Company’s leadership commitment is consistent with the climate goals included in the Paris Climate Conference held in December 2015, with goal thirteen of the Sustainable Development Goals approved by the United Nations in September 2015, and with an ambitious and efficient focus on the process of implementation thereof.

The Company thus wishes to contribute actively and decisively to a sustainable and low-carbon future, minimising the environmental impact of all its activities and promoting the adoption of whatever actions are within the Group’s reach for such purpose, an effort that must be compatible with social and economic development through the sustainable generation of employment and wealth.

This *Policy against Climate Change* is formalised to articulate and disseminate the Group’s commitment with regard to climate change.

2. Main Principles of Conduct

In order to implement this commitment, the Company and the rest of the companies belonging to the Group shall be guided by the following main principles of conduct:

- a) Prevent pollution by gradually reducing the intensity of greenhouse gas emissions (expressed in grams of CO₂ per kWh generated), in order to place it below one hundred fifty grams of CO₂ per kWh by 2030 -which entails a fifty per cent reduction in the intensity of emissions compared to 2007- continuing the development of electric energy from renewable sources, focusing innovation efforts within more efficient technologies having a lower intensity of carbon dioxide emissions, and progressively introducing them in their facilities, until reaching carbon neutrality by the year 2050.
- b) Support international negotiation processes and the significant participation of the private sector to comply with goal thirteen of the Sustainable Development Goals approved by the United Nations and the climate goal included in the Paris Climate Conference, and introduce a more ambitious dynamic both as to the implementation thereof and the agreements that hereafter replace them.
- c) Maintain global leadership in renewable energy and in investment in and operation of smart grids, which allow for strong integration of such renewable energy, promote the replacement of energy generation systems based on the use of fossil fuels with higher carbon content, and favour the improvement of efficiency in generation, in transmission, and in the final use of energy. This leadership in renewable energy and efficient technology will allow the Company to strengthen its commitment to the climate goals within a framework of growing electrification of the global energy system.
- d) Support legal measures, initiatives and innovations focused on permitting greater electrification of consumer uses of the economy, like electric cars and trains, heat pumps, etc. as an effective and efficient vector of the fight against climate change due to the de-carbonisation that they engender.
- e) Advocate an emissions market that generates a strong and sustainable price signal, capable of generating the resources required to equitably finance clean energy projects, both in industrialised countries and in emerging and developing economies.
- f) Support a tax system that includes the “*polluting party pays*” principle as a basic principle and that includes not only the electricity production industry, but principally the transport and construction industries.
- g) Have a global environmental management system, which allows for a reduction in environmental risks, improving the management of resources and optimising investments and costs.
- h) Actively foment a culture that promotes the efficient and responsible use of energy and encourage the behaviours that favour such responsible use, engaging all stakeholders of the Company for this purpose.
- i) Encourage in-house training of the Group’s employees in the fight against climate change and stimulate suppliers to adopt policies consistent with those of the Company in this area.
- j) Regularly review the Company’s greenhouse gas emissions inventory.
- k) Lead the main international indices on the fight against climate change.
- l) Disseminate any results achieved and/or actions performed by the Group regarding the fight against climate change.

This *Policy against Climate Change* was initially approved by the Board of Directors on 15 December 2009 and was last amended on 6 April 2016.

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