

Policy on Respect for Human Rights

21 February 2017

The Board of Directors of IBERDROLA, S.A. (the “Company”) is vested with the power to design, evaluate, and review the Company’s Corporate Governance System on an ongoing basis and to approve the *Corporate Policies*, which further develop the principles adopted by such body of rules and regulations and which establish the guidelines that govern the activities of the Company and 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 the conduct of its directors, officers, and employees.

Among the *Corporate Policies*, the corporate social responsibility policies are designed to favour a culture of social responsibility within the Group, on a global scale. Respect for human rights is one of the main pillars on which such culture rests.

1. Purpose

The purpose of this *Policy on Respect for Human Rights* is to formalise the Group’s commitment to the human and labour rights recognised in domestic and international legislation and to the principles underpinning the *United Nations Global Compact*, the *Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework*, the *OECD Guidelines for Multinational Enterprises*, the International Labour Organisation’s *Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy*, as well as such documents or texts as may replace or supplement those mentioned above.

2. Main Principles of Conduct

In order to achieve the objectives set forth above, the Group upholds and undertakes to promote the following basic principles, which must inform its activities in all areas:

- a) To demand from all Group professionals and suppliers strict respect for the human and labour rights recognised in domestic and international legislation in the conduct of their activities, as well as compliance with international standards in those countries in which human rights legislation has not reached an adequate level of development.
- b) To reject child labour and forced or compulsory labour, and to respect freedom of association and collective bargaining, the right to freely circulate within each country, as well as non-discrimination and the rights of ethnic minorities and of indigenous peoples in the places in which it carries out its activities.
- c) To promote the implementation of due diligence procedures in order to identify the situations and activities that pose the highest risk of violation of human rights (particularly in the areas mentioned in the preceding principle) and to develop mechanisms for prevention and mitigation of such risk in its activities and in those conducted by its suppliers.
- d) To require its suppliers to abide by the *Suppliers’ Code of Ethics*, pursuant to which they have the duty to promote activities and adopt such measures as may be needed in their organisation in order to eliminate all forms or types of forced or compulsory labour, to expressly reject the use of child labour in their organisation, to respect their workers’ freedom of trade association and right to collective bargaining, to reject all discriminatory practices in connection with employment and labour, affording their employees fair treatment based on dignity and respect, and to pay their workers as provided by applicable wage laws, including minimum wages, overtime, and social security benefits.
- e) To regularly verify the application of the procedures for identification of risk situations and activities and of the mechanisms for prevention and mitigation of the risk of violation of human rights, using monitoring indicators and focusing its analysis particularly on the main locations of operations in which there might be a risk of violation of such rights, taking as a reference the reports and recommendations issued by reputed international organisations.
- f) To report on the results of such verification activities in its annual public information, available on its corporate website.
- g) To adopt such measures as may be applicable in the event of detecting any violation of human rights at its facilities or at those of its suppliers, as provided in the *Code of Ethics* or in the *Suppliers’ Code of Ethics*, and to report thereon to the competent government authorities in order for them to take any appropriate action when such violation may amount to an administrative or criminal offence.
- h) To have in place reporting and grievance mechanisms, equipped with adequate guarantees and settlement procedures, in order to respond to any events of violation of human rights that may be reported by persons or organisations from outside the Group.
- i) To advance a culture of respect for human rights and promote awareness-raising in this field among its professionals at all companies within the Group, and especially at those where there may be a higher risk of violation of such rights.

3. Implementation and Update

The Company shall draw on specialised external advice in order to conform the Group’s operating procedures to the principles set forth in this *Policy on Respect for Human Rights* and to prepare any future updates of the text hereof.

This *Policy on Respect for Human Rights* was initially approved by the Board of Directors on 17 February 2015 and was last amended on 21 February 2017.