

Specific Risk Policies for the Various Group Businesses

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Risk Policy for the Liberalised Businesses of the Iberdrola Group

The *Risk Policy for the Liberalised Businesses of the Iberdrola Group* provides the framework for the monitoring and management of risks associated with the Group's liberalised businesses in the various countries in which it operates:

Spain and Portugal

- a) Electricity production wholesale purchase and sale of energy (electricity, gas, and other fuel), including the power purchase agreement with Iberdrola Renovables Española.
- b) Retail sale of electricity, gas, and energy services.
- c) Strategic and operational planning of electricity production, fuel supply, and emission rights and the wholesale and retail sale of electricity and gas.
- d) Investments in new generation or cogeneration plants.

United Kingdom

- a) Production of electricity and the wholesale purchase and sale of energy (electricity, gas, and other fuel), including the power purchase agreement with Scottish Power Renewables).
- b) Retail sale of electricity, gas, and energy services.
- c) Planning of electricity production, supply of fuel, and emission rights, and wholesale and retail sale of electricity and gas.
- d) Investments in new generation plants.

Mexico

- a) Production and sale of electricity to the Federal Electricity Commission (*Comisión Federal de Electricidad*) ("CFE").
- b) Production and sale of electricity and steam to private user-partners.
- c) Sale of the power from Iberdrola Renovables México under a signed services agreement.
- d) Strategic and operational planning of electricity production and fuel supply.
- e) Investments in new generation or cogeneration plants.

United States and Canada

- a) Regulated storage of gas.
- b) Liberalised storage and transportation of gas.
- c) Purchase/sale of gas and other related positions.
- d) New investments or contracting of new capacity.

Risk Policy for the Renewable Energy Businesses of the Iberdrola Group

The *Risk policy for the Renewables Businesses of the Iberdrola Group* provides the framework for the monitoring and management of risks associated with the renewables businesses of the Group having effects on all activities related to the production of renewable energy carried out by the Group in the various countries in which it operates:

- a) New investments.
- b) Production and sale of renewable energy.
- c) Operation and maintenance of the facilities.

In particular, it provides the guidelines for covering the market risk associated with the sales price of electricity in the various countries in which the Group operates.

Risk Policy for the Networks Businesses of the Iberdrola Group

The *Risk Policy for the Networks Businesses of the Iberdrola Group* provides the framework for the monitoring and management of risks associated with the networks businesses of the Group having effects on the regulated activities of each country in which the Group has a presence. The *Risk Policy for the Networks Businesses of the Iberdrola Group* applies to all regulated electricity and gas distribution activities carried out by the Group in:

Spain

Regulated networks activities:

- a) Distribution of electricity, including the planning, development, and operation and maintenance of networks.
- b) Billing and collection for usage charges.
- c) Reading of the meters of consumers connected to its networks.
- d) Cut-off and reconnection of customers on behalf of sales companies or on its own behalf for ATR customers.

United Kingdom

Regulated activities of planning, development, and operation and maintenance of distribution and transmission networks, respectively.

United States

Regulated activities of:

- a) Electricity transmission and distribution.
- b) Regulated gas distribution and storage.
- c) Retail sale of electricity and gas at regulated rates.

Brazil

Regulated activities of:

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- a) Supply of electricity for sale to unregulated customers.
- b) Project management.
- c) Construction of turnkey facilities for third parties.
- d) Preparation of energy efficiency studies.

Risk Policy for the Engineering and Construction Business

The *Risk Policy for the Engineering and Construction Business* establishes the framework for the monitoring and management of risks affecting the business carried out by Iberdrola Ingeniería y Construcción, in order to mitigate and reduce the risks associated with the fulfilment of its objectives.

In view of their significance, this section particularly contemplates the risks associated with third-party projects, both turnkey (Engineering Procurement and Construction - EPC) and engineering and technical consultancy projects.

Risk Policy for the Real Estate Business

The *Risk Policy for the Real Estate Business* establishes the framework for the monitoring and management of risks affecting the business carried out by Iberdrola Inmobiliaria, in order to mitigate and reduce the risks associated with the fulfilment of its objectives.

Particularly contemplated are the risks associated with activities of land management, real estate development, and the lease of assets of Iberdrola Inmobiliaria both in Spain and in other countries.