

20 february 2018

Supplier's Code of Ethics

SUPPLIER'S CODE OF ETHICS

IBERDROLA, S.A. (hereinafter referred to as the "Company") seeks to ensure that the conduct of the company and its related persons, including all actors involved in the value chain, are accountable and adhere to legislation in force, the corporate governance system, and the generally accepted principles of ethics and social responsibility.

This commitment to ethics and good governance extends to all companies, including all the professionals thereof, pertaining to the group, whose parent company, as established by law, is the Company (the "Group"), in which regard the implementing policies of this commitment clearly state that the Group firmly opposes the perpetration of any act that is illicit, illegal, criminal or of a similar nature, and that the Group cultivates a preventive culture based on the principle of "zero tolerance" towards the perpetration of illicit acts and situations of fraud in application of the principles of ethics and responsible conduct and behaviour.

It is essential that this message be clearly transmitted to third parties related to the Company so that they formally undertake to abide by the Group's commitment to ethics and good governance.

Given that suppliers (also referred to as vendors and providers) are construed to be our strategic stakeholders, the Company has established a series of specific principles of engagement for them in their corresponding areas of activity, in all cases in line with the Group's principles and values, which are set forth in this *Suppliers' Code of Ethics*, which will be annexed to the corresponding contracts therewith and must be expressly accepted by the Group's suppliers, vendors and providers ("Suppliers").

ETHICS: to develop business relationships upholding the principles of business ethics and transparent management.

— **Corruption:** the Group's relationship with its Suppliers is based on legality, efficiency and transparency. One of the principles of the United Nations Global Compact (to which the Company first adhered to in 2002) is the fight against corruption, bribery and extortion.

The Group does not tolerate, condone or participate in corruption, extortion or bribery of any sort in its business activities in the public and private sectors. Ethical and responsible conduct is one of the Group's pillars of engagement, and its Suppliers must abide by the Group's policies, rules, standards and procedures regarding the prevention of corruption, bribery and extortion.

The Supplier shall uphold the strictest standards of ethical and moral conduct, and international agreements, and observe the pertinent legislation in force by ensuring that suitable procedures are put into place and implemented as required.

In particular, the Supplier warrants, guarantees and ensures the following:

- (i) to be compliant and continue complying with all applicable laws and regulations concerning corruption, including the anti-corruption provisions of Spanish Law 10/1995 of 23 November, the Spanish Penal Code; the United Kingdom Bribery Act (UKBA) of 2010; the United States Foreign Corrupt Practices Act (FCPA); all laws enacted to implement the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and all laws and regulations of those countries in which services shall be provided for the Group; or any other similar laws and regulations which may be applicable.
- (ii) neither to have promised, offered or paid, nor to promise, offer or pay, directly or indirectly, any bribes, payments to facilitate transactions or other undue payments to any third party in relation to the contract.
- (iii) neither to have corruptly promised, offered or paid nor to corruptly promise, offer or pay, directly or indirectly, anything of value with a view to (i) influencing any act or decision of a third party; (ii) ensuring any undue advantage for the Group; or (iii) inducing a third party to influence the acts or decisions of a government official.
- (iv) neither to have made an attempt nor to make any attempt to obtain confidential information, e.g. information that is unavailable to other bidders, in relation to the contract.
- (v) neither to have offered, promised or delivered nor to offer, promise or deliver any gifts or objects of value, regardless of the nature thereof, to civil servants, government agents or entities with a view or in relation to formalising the contract.
- (vi) that it may only engage in promising, offering or delivering gifts or reasonable items that are not overly expensive, including hospitality or meal expenses with a view or in relation to formalising the contract to persons or entities who are not government officials and in accordance with all laws concerning corruption and policies on integrity and ethics of the Company's Corporate Governance System. Gifts and items of value must correspond to a legitimate business purpose.
- (vii) neither the Supplier nor any subsidiary thereof and, to the best of its knowledge, none of the employees, directors, executives, agents or persons acting on behalf thereof (referred to as either "Related Parties" or "Related Persons") will be subject to a future (a) sanction from the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury, or (b) decision or measure of a nature similar to the OFAC adopted by (i) the European Union, (ii) Her Majesty's Treasury (UK), (iii) the government of the USA, or (iv) the UN Security Council (jointly referred to as "Sanctions"). The Supplier also warrants that the business address of none of its Related Persons is domiciled, organised or resides in a country or region that is bearing Sanctions.



- **Conflict of interest:** the Supplier must maintain mechanisms which, in the event of a potential conflict of interest with one of its employees, will ensure that the Supplier's ability to act independently and fully comply with applicable legislation remains unaffected.
- **Information:** information belonging to the Group disclosed to the Supplier will normally be deemed private and confidential. The Supplier and all its employees are responsible for adopting sufficient security measures to protect private and confidential information. The information made available by the Supplier to its liaisons in the Group must be true and shall not be given with the intent to mislead.

LABOUR PRACTICES: to respect the protection of basic human and workers' rights, recognised internationally, within its sphere of influence

- **Forced labour:** the Supplier must take the required measures in its organisation to eliminate all forms or modes of forced or compulsory labour, i.e. all work or service demanded of an individual under the threat of a penalty.
- **Child labour:** the Supplier shall expressly reject all forms of child labour in its organisation, adhering to the minimum age limits for contracting as stipulated by the pertinent legislation currently in force and having appropriate and reliable mechanisms for verifying the age of its employees.
- **Right of association and collective bargaining:** the Supplier must respect the freedom of trade unions and the right to collective bargaining for workers as stipulated in the pertinent standards, rules and legislation in each case.
- **Equal opportunity and non-discrimination:** the Supplier must reject all discriminatory practices in the area of employment and treat its employees fairly, with dignity and respect. To this end, discrimination is construed as any differentiation, exclusion or preference by reason of race, colour, sex, religion, political opinion, nationality or social condition that leads to the annulment or alteration of equal opportunities in employment.
- **Reconciliation:** the Supplier shall consider the implementation of work-life balance measures that promote respect for the personal and family lives of their employees and which make it possible for a healthier balance to be found between the latter and the work responsibilities of both women and men, in keeping with the applicable laws and local practices. Under no circumstances shall the Supplier do away with measures already in place when becoming a Group Supplier.
- **Fair remuneration:** the Supplier shall pay its workers according to applicable laws on pay, including minimum wages, overtime and social benefits.

HEALTH AND SAFETY: to provide a safe working environment, complying with occupational risk prevention requirements

- **Worker protection:** the Supplier must oversee the protection of its workers and protect them from chemical, biological and physical dangers and tasks that demand physical over-exertion in the workplace.
- **Potential emergency situations:** the Supplier shall identify and assess potential emergency situations in the workplace and minimise any impact by implementing emergency plans and procedures to deal with emergencies.
- **Training and skills:** the Supplier must provide its staff with training and the means required to carry out their work in accordance with the contract, and shall be answerable for any loss or damage attributable to it by act or omission, especially as a result of any failure to adopt appropriate preventive measures.

THE ENVIRONMENT: to maintain a preventive approach to help the environment and encourage initiatives to promote greater environmental responsibility

- **Environmental aspects:** the Supplier must have an effective environmental policy in place that fulfils all the obligations required by applicable environmental legislation.
- **Waste and emissions:** the Supplier shall identify and manage substances or other materials posing a danger once released into the environment with a view to ensuring proper handling, transport, storage, recycling or reuse and disposal under safe conditions and in compliance with the applicable legislation. All waste, waste water or emissions that could damage the environment must be managed, controlled and treated appropriately.

QUALITY AND SAFETY OF THE PRODUCT: to strive for continuous improvement in the quality of the products and services supplied

- **Legal and customer requirements:** all products and services delivered by the Supplier must comply with the quality and safety standards and parameters required by applicable legislation, with particular attention paid to complying with prices and delivery times.

SUBCONTRACTING: to ensure compliance with these requirements by its partners and subcontractors

- **Value chain:** Group Suppliers shall ensure that their own suppliers and subcontractors adhere to principles of engagement that are equivalent to the present *Suppliers' Code of Ethics*.
- **Indirect infringement of the Corporate Governance System:** the actions carried out and procedures used by Suppliers to fulfil their obligations with the Group may not indirectly or consequentially contravene *Corporate Policies, the Code of Ethics* or any other standards, rules or regulations forming part of the Company's Corporate Governance System.

This *Suppliers' Code of Ethics* remains valid and binding notwithstanding any further conditions or requirements that may be established under applicable legislation, in the practices and standards of the different jurisdictions where the Group has activities and in the individual contracts with Suppliers, which will be binding in any case.

The basic principles herein apply to all Suppliers of the Group, who will monitor compliance and act accordingly in the event of any breach. In addition, the Group will take any step appropriate to work with its Suppliers to increase their competitiveness, setting up suitable programmes for each case.



SUPPLIER ETHICS MAILBOX

The Company has incorporated an ethics mailbox for suppliers (hereinafter referred to as the “Supplier Ethics Mailbox”) as a communications channel so that Company vendors and their own suppliers and service providers and companies commissioned to provide products or services to the Company (hereinafter referred to as the “Subcontractors”), their respective employees or companies who were awarded service or supply contracts to become Suppliers can report conduct that may entail some sort of violation by a Group professional of the Corporate Governance System or some illegal act or crime perpetrated by a Supplier or one of its subcontractor or employees, or violation of some law or the provisions in the Supplier Code of Ethics within the scope of their business relationship with the Company or companies in the Group.

Suppliers must report any of the aforementioned conduct that they are aware of because of their business relationship with the Company or companies of the Group as soon as possible.

Suppliers, by entering into a contract with the Company, undertake to inform their employees and Subcontractors of the content of the present *Supplier Code of Ethics* and the existence of the Supplier Ethics Mailbox, and likewise pass this obligation to inform employees on to their Subcontractors. Moreover, Suppliers must be able to substantiate fulfilment of these obligations at the Company's request.

Suppliers and the Subcontractors thereof may use the Supplier Ethics Mailbox for queries or suggestions concerning the *Suppliers' Code of Ethics*.

The *subholding* and holding companies in the Group's businesses that have compliance units or divisions may set up their own Supplier Ethics Mailboxes or any other reporting/whistleblowing channels as they deem appropriate or suitable.

Communications addressed to Supplier Ethics Mailboxes may be made by completing an electronic form available on the Company's corporate website (in the Suppliers Area) and, where available, at the websites of the companies of its Group, under a section that should be called the “Supplier Ethics Mailbox”.

The principles for reporting through the Supplier Ethics Mailbox are:

- a) Communications must always adhere to standards of truthfulness and proportionality, such that this mechanism may not be used for purposes other than seeking compliance with legality or the internal standards, rules and regulations cited above.
- b) The identity of the natural person reporting an anomalous conduct through the Supplier Ethics Mailbox shall be considered confidential information and, therefore, will not be revealed in any case to the individual being accused, thus maintaining the utmost confidence concerning the identity of the person reporting the incident and preventing any response by the person being accused. In certain jurisdictions, applicable legislation may permit reports to be filed anonymously through the ethics mailbox.
- c) Notwithstanding the foregoing, the data of the persons making the communication may be provided to governmental or judicial authorities, to the extent required by such authorities as a consequence of any proceeding stemming from the subject matter of the report, as well as to persons involved in any kind of subsequent investigation or court proceeding initiated as a consequence of the investigation. Such provision of data to governmental or judicial authorities shall always be in full compliance with the laws on the protection of personal data.

The Compliance Unit will manage communications made through the Company's Supplier Ethics Mailbox. *Subholding* and holding companies in the Group's businesses that have compliance units or divisions will be responsible for managing the communications filed through each one's own Supplier Ethics Mailboxes. Should the matter affect a *subholding* or parent company of the Group's businesses that has its own compliance unit or division, the Compliance Unit will forward the communication to that unit or division for examination and processing according to its own rules. Notwithstanding the foregoing, if the matter affects more than one *subholding* or parent company of the Group's businesses that has a compliance unit or division, the Compliance Unit will coordinate the processing of the case.

The Compliance Unit and/or the compliance units or divisions of *subholding* and parent companies of the businesses may inform the whistleblower of the status of the process depending on the specific circumstances of each case.

Data provided through the Supplier Ethics Mailbox will be processed by the Company or *subholding* and parent companies of the Group's businesses that have their own compliance units or divisions, to manage received communications and take as many steps as necessary to investigate and ultimately ascertain whether an infraction occurred. They may exercise their rights of access, rectification, erasure, limitation in processing, portability and objection, where pertinent, by means of written communication addressed to the registered business address of the Company or *subholding* or parent companies of the Group's businesses, which may be consulted from the following link <https://www.iberdrola.com/accionistas-inversores/gobierno-corporativo/estructura-societaria-gobierno-sociedades-grupo/> through a written communication addressed to the registered business address of the corresponding company, to the attention of the “Compliance Division”, indicating the term “LOPD” in the subject.

The Company and all Group companies will handle the personal data of whistleblowers/natural persons reporting an incident in the utmost confidence and for the purposes set out in this section, and shall adopt all appropriate technical and organisational measures to guarantee a level of security that covers the risk yet sufficing to safeguard that processing is made in accordance with the applicable data protection laws and legislation.

In any case, Group companies will have the legal disclaimers and warnings stipulated by law in every data collection form. However, given that regulations differ in the countries where the Group has its activities, the foregoing shall be required notwithstanding and without prejudice to the full observance of the operations of the Supplier Ethics Mailboxes under the pertinent legislation in force in each country where the Group operates. They will also fulfil all obligations and commitments assumed by the Group in its contractual relations with third parties, and uphold the usage and good practices of the countries where they carry out their activities.

