

Human Resources Framework Policy

24 April 2018

Contents

/

1. Purpose	2
2. Main Principles of Conduct	2
3. Instruments	2
4. Main Principles of Conduct in connection with the Selection and Hiring of Professionals	3
5. Main Principles of Conduct in connection with Talent Management and Training	3
6. Evaluations of Performance and Development	3
7. Remuneration System	4
8. Diversity, Equal Opportunity and Reconciliation	4
9. Global Occupational Safety and Health System	4
10. Work Ethics	4
11. Corporate Volunteering	4

NOTICE. This document is a translation of a duly approved Spanish-language document, and is provided for informational purposes only. In the event of any discrepancy between the text of this translation and the text of the original Spanish-language document that this translation is intended to reflect, the text of the original Spanish-language document shall prevail.

The Board of Directors of IBERDROLA, S.A. (the “**Company**”) considers its employees to be a strategic asset. Pursuant to the provisions of the *Mission, Vision and Values of the Iberdrola group*, the employees of all companies belonging to the group of which the Company is the controlling entity, with the meaning established by law (the “**Group**”), must care for their employees and offer them a good working environment, encouraging their development, training and reconciliation measures, and favouring equality of opportunity.

1. Purpose

The purpose of this *Human Resources Framework Policy* is to define, design and disseminate a human resources management model of the Group that will allow it to obtain, promote and retain talent and encourage the personal and professional growth of all people belonging to the Group’s workforce, making them participants in the successful business enterprise and guaranteeing them a dignified and safe job.

The *Human Resources Framework Policy* is further developed by the following corporate social responsibility policies: the *Recruitment and Selection Policy*, the *Knowledge Management Policy*, the *Equal Opportunity and Reconciliation Policy* and the *Occupational Safety and Health Policy*, as well as by the *Senior Officer Remuneration Policy*, which is one of the *Corporate Governance and Regulatory Compliance Policies*.

In a world in which traditional production assets are ever more accessible, human capital fundamentally determine the difference between competitive companies and those that are not, and between those that sustainably create value and those that gradually lose their capacity to generate wealth.

The design and implementation of frameworks for the management of human resources and labour relations that allows all employees to share in the Group’s success and furthers the objectives of competitiveness and corporate efficiency are believed to be key principles for the conservation of human capital.

The *Human Resources Framework Policy* must establish the guidelines that govern labour relations at the different companies of the Group and serve as a benchmark to define the objectives of the Company and the Group in human resources management as regards: the selection of its professionals, the assurances and stability of quality employment, the creation of a stable relationship with employees, occupational safety and health, and the training and development of the professionals of the Group. Human resources management must be informed by respect for diversity, equality of opportunity and non-discrimination, as well as alignment of the interests of professionals with the Group’s strategic objectives.

2. Main Principles of Conduct

In order to achieve the aforementioned objectives, the Group accepts and promotes the following principles that must inform the management of its human capital:

- a) An appropriate framework of labour relations and of agreed mechanisms to bring the organisation into line with corporate and social requirements, promoting the objectives of competitiveness and business efficiency.
- b) The development of consistent human resources processes that progress in the implementation of the culture of the Company in all countries in which the Group does business, respecting local particularities and the special framework of strengthened autonomy of the listed country subholding companies.
- c) The definition as a strategic objective of the conduct of labour relations based on equality of opportunity, particularly between men and women, non-discrimination and respect for diversity. Measures must also be promoted to achieve a favourable environment that facilitates reconciliation of personal and working life, complying with the law applicable in each country and following best international practices.
- d) The consolidation of stable and quality jobs.
- e) A remuneration system that allows for the attraction and retention of the best professionals and the objectives of which are aligned with those of the Group.
- f) Appreciation of the contribution of all professionals to the Group’s creation of value and to its growth.
- g) Recognise and value family and personal connections among the professionals of the Group, a necessary consequence of the Group’s strong local roots within the communities in which it has historically done business, and establish specific measures ensuring that employees with such connection are not favoured or discriminated against in hiring and promotion processes, nor is there any violation of the principle of equal opportunity.
- h) Design of a value offering that favours the selection, hiring and retention of talent, consisting of a competitive remuneration, a working environment based on equality of opportunity, the business enterprise, the balance of personal and professional life, and reconciliation.
- i) The process of selecting, hiring and promoting professionals of the companies of the Group shall ensure that all of its professionals are persons who are respectable and appropriate, aligned with the provisions of the *Mission, Vision and Values of the Iberdrola group* and with the principles contained in the *Code of Ethics*, assessing their history and rejecting those who lack the required appropriateness due to the background thereof.

3. Instruments

The Company and the Group have the following instruments to achieve these objectives:

- a) Human resources policy: this *Human Resources Framework Policy*, the *Recruitment and Selection Policy*, the *Equal Opportunity and Reconciliation Policy*, the *Occupational Safety and Health Policy*, the *Knowledge Management Policy* and the *Senior Officer Remuneration Policy*.
- b) The Company's Human Resources Division, the main objective of which is to give consistency to the guidelines for the management of the Group's human resources, bearing in mind the different social and labour circumstances of the territories in which it operates, and the human resources divisions at the various companies of the Group, which are responsible for implementing and monitoring human resources policies and strategies.
To meet this objective, the Company's Human Resources Division may create specialised global committees in areas like the selection and hiring of professionals, training, remuneration systems and social-welfare benefits, which will act in coordination with any local committees that the human resources divisions of the country subholding companies decide to create.
- c) Collective bargaining agreements or specific equivalent agreements to govern aspects relating to human resources management, as well as the established specific monitoring mechanisms.
- d) Channels for dialogue and communication with employees: mixed subcommittees or committees with employees, labour climate surveys, meetings with the chairman and senior officers, specific meetings, the corporate website and the Group's various intranets.
- e) International mobility programmes that favour the exchange of experiences and knowledge, professional development, the firm establishment of a Group culture and retention of employees, in line with the Group's Business model.
- f) Training programmes that foster the improvement and preservation of intellectual capital and the promotion of employees within the Group.
- g) Occupational risk prevention programmes and processes and a global occupational safety and health system based on defined standards applicable to all companies of the Group.

4. Main Principles of Conduct in connection with the Selection and Hiring of Professionals

As further developed in the *Recruitment and Selection Policy*, the main principles of conduct in connection with selection and hiring are:

- a) Develop a programme for standardising the recruitment procedures within the Group.
- b) Encourage the access of young people to their first job through scholarship programmes and other agreements.
- c) Provide candidates with a competitive offer that favours the recruitment and hiring of the best professionals.
- d) The Group's offer must be based upon competitive remuneration, a work environment based on equal opportunity, business enterprise, a balance between personal and professional life, and reconciliation thereof.
- e) The Group will promote the hiring of its professionals using stable and permanent contracts.
- f) Standardise working conditions and the benefits received by part-time and full-time employees.
- g) Endeavour to ensure that selection and hiring processes are objective and impartial, avoiding the participation of the employees with which they are connected in the process of selecting family members of Group professionals or persons with another similar personal connection.
- h) Favour the hiring of employees from excluded groups and of persons with different skills.

5. Main Principles of Conduct in connection with Talent Management and Training

Talent management is the key aspect to improve the Company's position vis-à-vis its competitors, and its aim must be the definition of a framework to develop a global quality management system, affecting all professionals of the Group.

The basic aspect of global talent management within the Group is training. The main principles of conduct thereof are:

- a) Establishment of a conceptual framework that includes all training actions designed to promote the qualification of the workforce, aligning it with a multicultural work environment, permeable to cultural changes, expanding the principles set out in the *Mission, Vision and Values of the Iberdrola group*, creating value for the Group, and promoting the sustainable development of the businesses of the Company.
- b) Implementation of training programmes and plans that support advanced professional training for the performance of the job, adjustment of human resources to technological and organisational changes, adjustment of new employees to the requirements of the Group, and greater capacity for professional development.
- c) Make training a key element of professional qualifications, and one that provides opportunities for promotion within the Group.
- d) Ensure that training programmes include aspects relating to respect for human rights and foster a culture of ethical conduct.
- e) Dissemination and sharing of the knowledge existing within the Group, on-going learning and cultural exchange, so as to boost operational efficiency through the appropriate use of intellectual capital, in accordance with the provisions of the *Knowledge Management Policy*.

6. Evaluations of Performance and Development

Employee evaluations and communication of the results thereof to those evaluated is an essential aspect of their professional training. The main principles of conduct are:

- a) Perform periodic evaluations of the performance of the employees of the Group.
- b) Communicate the results thereof to the employees evaluated so as to favour their professional development.

NOTICE. This document is a translation of a duly approved Spanish-language document, and is provided for informational purposes only. In the event of any discrepancy between the text of this translation and the text of the original Spanish-language document that this translation is intended to reflect, the text of the original Spanish-language document shall prevail.

- c) In the process of salary evaluation or review, avoid direct participation by professionals who are family members or who have a similar personal connection with the affected employees.

7. Remuneration System

The Group considers it a priority for the remuneration system to favour the strengthening of its human capital, as the main factor differentiating it from its competitors. The principles of conduct informing the Group's remuneration system are:

- a) Favour the attraction, hiring and retention of the best professionals.
- b) Maintain consistency between with the Group's strategic positioning and its development, its international and multicultural reality and its objective of excellence.
- c) Recognise and reward the dedication, responsibility and performance of all its professionals.
- d) Adjust to the various local circumstances in which the different companies of the Group operate.
- e) Be at the forefront of the market, consistently with the position achieved by the Company and its Group.

8. Diversity, Equal Opportunity and Reconciliation

The *Equal Opportunity and Reconciliation Policy* develops the Group's objectives and principles on the matter, which may be summarised in the following principles of conduct:

- a) Respect diversity, promoting non-discrimination on account of race, colour, age, gender, marital status, ideology, political opinion, nationality, religion, sexual orientation, or any other personal, physical or social condition of its professionals.
- b) Develop the principle of equal opportunity, observance of which is one of the basic pillars of professional development, and entails the commitment to provide and show equitable treatment that promotes the personal and professional progress of the workforce, keeping employees with family similar personal connections from holding posts directly reporting –either hierarchically or functionally– to the professionals with which they are connected.
- c) Promote effective equality between women and men as regards access to employment, professional training and promotion and working conditions, fostering gender diversity as a manifestation of social and cultural reality.
- d) Honour commitments to external institutions, making an effort to honour the commitments assumed in order to obtain and maintain all certifications and awards granted in connection with reconciliation and equality.
- e) Implement reconciliation measures that promote respect for the personal and family life of its professionals and facilitate the achievement of an optimal balance between the latter and the work responsibilities of women and men.

9. Global Occupational Safety and Health System

The *Occupational Safety and Health Policy* is intended to achieve a safe and healthy work environment and reflects the main principles of conduct for Group companies in this area.

Pursuant to the provisions of said *Occupational Safety and Health Policy*, the Group has a Global Occupational Safety and Health System based on standards that determine the minimum levels applicable to all the companies.

This global system contemplates:

1. The integration of occupational safety and health standards in all stages of the production process, in all work methods and in all decisions, such that officers, technicians, managers and employees assume their responsibilities in the matter.
2. The identification, assessment and effective control of work-related risks.
3. Adjustment of employees to their jobs through health monitoring and training of employees.
4. A mechanism for evaluating occupational safety and health matters in accordance with standards established for the entire Group to identify potential deviations, exchange best practices and establish a global culture of excellence in risk prevention.

The operation of the Global Occupational Safety and Health System is developed in the *Global Safety and Health System Manual* and in certain global procedures applicable to the entire Group.

In turn, each of the country subholding companies and head of business companies has their own specific manuals and procedures applicable to each of their respective countries and businesses, which reproduce or strengthen the global standards of the Group on safety and health, while heeding the regulatory particularities arising from applicable law and those corresponding to the activities carried out by each business.

10. Work Ethics

The Board of Directors has approved a *Code of Ethics* that sets forth the principles of conduct required of the various companies of the Group and of all their employees and officers, regardless of their job category, their geographic or functional location, or the company of the Group at which they work.

The Compliance Unit is the body created by the Company's Board of Directors to disseminate, interpret and inform the appropriate bodies of the degree of compliance with the *Code of Ethics*.

The compliance divisions of each country subholding or head of business company shall apply the *Code of Ethics* in their respective areas of conduct.

11. Corporate Volunteering

The companies of the Group shall develop corporate volunteering programmes that promote the participation of the professionals of the Group in volunteer actions to put into practice the provisions of the *Mission, Vision and Values of the Iberdrola group*



as regards improving the quality of life of people, looking after the environment and sustainable development, as well as universal access to energy, including collection campaigns that seek to respond to social needs.

These programmes are intended to:

- a) Contribute to social well-being and community service.
- b) Strengthen a sense of belonging to the Group and improve the labour climate.
- c) Contribute to the ethical training of employees, channelling their spirit of community service to the benefit of the communities in which the Group is present.
- d) Promote the values of participation, commitment, responsibility and teamwork.

This *Human Resources Framework Policy* was initially approved by the Board of Directors on 17 February 2015 and was last amended on 24 April 2018.