

November 2018

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# Suppliers' Code of Ethics

(Extracted from the Code of Ethics,  
drafted in accordance with section F.6.5)



## SECTION A. INTRODUCTION

### Article A.1. Purpose

1. IBERDROLA, S.A. (the “**Company**”) aspires for its conduct and that of the persons connected therewith to conform and adhere not only to applicable law and its Corporate Governance System but also to ethical principles and generally accepted principles of social responsibility.
2. This *Code of Ethics* further develops the ethical principles contained in the *Mission, Vision and Values of the Iberdrola group* and is intended to serve as a guide for the conduct of the directors, professionals and suppliers of the Company and of the group of companies of which the Company is the controlling entity, within the meaning established by law (the “**Group**”), in a global, complex and changing environment.
3. In addition, the *Code of Ethics* has been prepared taking into account the good governance recommendations generally recognised in international markets and the social responsibility principles accepted by the Company, constituting a basic reference for observance of such initiatives and practices by the Group. It also deals with the prevention obligations imposed within the area of criminal liability for legal entities.
4. The *Code of Ethics* sets forth the Company’s commitment to the principles of business ethics and transparency in all areas of activity and establishes a set of principles and guidelines for conduct designed to ensure ethical and responsible behaviour by all directors, professionals and suppliers of the Group.
5. The *Code of Ethics* forms a part of the Corporate Governance System, and is fully respectful of the principles of corporate organisation established therein.

### Article A.2. Scope of Application

1. The principles and guidelines for conduct contained in the *Code of Ethics* apply to all directors, including natural persons who appoint corporate directors to represent them in the performance of their duties, to professionals and to suppliers of the companies of the Group, regardless of their rank, their geographical location or functional reporting, or the Group company to which they provide their services.
2. By way of exception to the provisions of the preceding section, country subholding companies that are listed or not wholly owned by the Group and that have their own *Code of Ethics*, as well as the subsidiaries thereof, shall be excluded from the scope of application of this *Code of Ethics*. Furthermore, the companies of the Group to which other ethical codes or codes of conduct also apply, whether industry-based or arising under the domestic law of those countries in which they carry out their activities, shall also observe such other ethical codes or codes of conduct. In any event, such codes of ethics or conduct shall embrace the *Mission, Vision and Values of the Iberdrola group* and shall reflect the principles set forth in the *Code of Ethics*.
3. Professionals acting as representatives of the Group at companies and entities that do not belong thereto shall observe the *Code of Ethics* in the performance of such representation, to the extent that it is not inconsistent with the regulations of the company or entity at which they act as representatives of the Group. At those companies and entities in which the Group, while not having a majority stake, is responsible for management, the professionals representing the Group shall promote compliance with the provisions of the *Mission, Vision and Values of the Iberdrola group* and the rules of conduct established in the *Code of Ethics*.
4. Observance of the *Code of Ethics* is understood to be without prejudice to strict compliance with the Corporate Governance System, especially the *Internal Regulations for Conduct in the Securities Markets* and the rules in implementation thereof, the corporate governance and regulatory compliance policies and the applicable rules on separation of activities in each jurisdiction in which the Group carries out regulated activities.

## SECTION E. ETHICAL COMMITMENTS OF THE GROUP’S SUPPLIERS

### Article E.1. Suppliers of the Companies of the Group

1. This section contains the ethical principles that must govern the conduct of the suppliers of the companies of the Group, which must be expressly accepted by them prior to commencing their contractual relationship with such companies.
2. By way of exception to the provisions of the preceding paragraph, for purposes of this *Code of Ethics*, suppliers shall not include the counterparties to publicity contracts, sponsorship contracts, agreements for collaboration in general interest activities and agreements for collaboration to support exceptional public interest events, and any other similar contracts.
3. The provisions of this *Code of Ethics* is understood to be without prejudice to such additional conditions or requirements as may be imposed by applicable law, by the practices and rules of the various jurisdictions in which the Group operates and by the respective contract with each supplier, which shall apply in all cases.

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## **Article E.2. Ethical Commitments of Suppliers**

1. Suppliers shall engage in their commercial relationships in conformity with principles of business ethics and transparent management.
2. Suppliers must comply with the policies, rules and procedures of the Group regarding the prevention of corruption, bribery and extortion, as well as the strictest rules of ethical and moral conduct and international treaties, and shall comply with the law applicable to these matters, ensuring the establishment of adequate procedures required for such purpose.
3. Suppliers shall not directly or indirectly promise, offer or pay any bribe to facilitate transactions or other improper payments to any third party or to any professional of the companies of the Group in relation to their contracts therewith.
4. Suppliers shall not directly or indirectly promise, offer or pay any money or valuable property in a corrupt manner in order to (i) influence an act or decision of a third party or a professional of the Group; (ii) obtain an undue advantage for the Group; or (iii) induce a third party or a professional of the Group to exercise influence over the act or decision of a public officer.
5. Suppliers shall not try to obtain any confidential information, particularly including information not available to other bidders, in relation to their contracts with the companies of the Group.
6. Suppliers shall not promise, offer or deliver gifts or objects of value, of any kind, to persons or entities that are officials for the purpose of or in relation to the formalisation of their contracts with the companies of the Group.
7. Suppliers may only promise, offer or give reasonable gifts or items that are not exaggerated in value, including entertainment or meal expenses, for the purpose of or in relation to the formalisation of the contract, to persons or entities that are not officials and in accordance with all anti-corruption laws and the integrity and ethics policies of the Corporate Governance System. In any case, gifts or items of symbolic value must have a legitimate business purpose.

## **Article E.3. Conflicts of Interest of Suppliers**

Suppliers must maintain mechanisms ensuring that the supplier's independence of action and full compliance with applicable law will not be affected in the event of a possible conflict of interest between the interest of the supplier and the personal interest of any of its employees.

## **Article E.4. Duty of Secrecy of Suppliers**

1. Information owned by the Group and disclosed to the supplier shall, as a general rule, be deemed to be private and confidential information.
2. Suppliers and all of their respective professionals shall be responsible for adopting adequate security measures to protect such private and confidential information.
3. The information provided by suppliers to their contacts within the Group shall be true and shall not be given with the intent to mislead.

## **Article E.5. Labour Practices of Suppliers**

1. Suppliers must take steps and adopt all measures within their organisation required to eliminate all kinds or forms of forced or compulsory labour, understood as any work or service demanded from an individual under threat of any negative consequence if such work or service is not provided.
2. Suppliers shall expressly reject the use of child labour within their organisation, shall respect the minimum hiring age limits in accordance with applicable law, and shall have adequate and reliable mechanisms in place to verify the age of its employees.
3. Suppliers shall respect the freedom of union association and the workers' right to collective bargaining, subject to the law applicable in each case.
4. Suppliers must reject all discriminatory practices in employment and occupational matters and treat their employees fairly and with dignity and respect. For purposes hereof, discrimination shall include any distinction, exclusion or preference by reason of race, colour, sex, religion, political opinion, national extraction or social origin which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation.
5. Suppliers shall assess the implementation of reconciliation measures that promote respect for the personal and family life of their employees and facilitate the achievement of an optimal balance between the latter and the work responsibilities of women and men, with respect for applicable laws and local practices, and shall not in any case eliminate the measures established at the time of becoming a supplier of the Group.
6. Suppliers shall pay their employees in accordance with the provisions of applicable wage laws, including minimum wages, overtime and social security benefits.

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#### **Article E.6. Health and Safety Commitments of Suppliers**

1. Suppliers shall ensure the protection of their employees, avoiding their overexposure to chemical, biological or physical hazards or to tasks demanding excessive physical effort at the workplace.
2. Suppliers shall identify and evaluate potential emergency situations at the workplace and shall minimise the possible impact thereof by implementing emergency response plans and procedures.
3. Suppliers must provide their personnel with the training and means required to do their work as agreed under contract, and shall be liable for any damage or loss attributable thereto by action or omission, especially as a consequence of not having taken appropriate preventive measures to avoid it.

#### **Article E.7. Environmental Commitment of Suppliers**

1. Suppliers shall have in place an effective environmental policy that ensures compliance with all obligations applicable thereto under applicable law.
2. Suppliers shall identify and manage those substances and other materials that present a hazard when released into the environment in order to ensure that they are handled, transported, stored, recycled or reused, and disposed of safely and in compliance with applicable regulations. All waste materials, waste water or emissions having the potential to adversely affect the environment shall be appropriately managed, controlled and treated, endeavouring to reduce the carbon footprint that they may generate.

#### **Article E.8. Quality and Safety of Products and Services Supplied**

All products and services delivered by suppliers shall meet the quality and safety standards and parameters required by applicable law, with special emphasis being placed on adherence to agreed prices and delivery dates.

#### **Article E.9. Subcontracting**

1. Suppliers of the Group shall be responsible for ensuring that their own suppliers and subcontractors are subject to principles of conduct equivalent to those established in this section.
2. The actions performed and the procedures used by suppliers to comply with their obligations towards the Group may not entail an indirect or intermediate violation of this *Code of Ethics*, the corporate policies or the other rules of the Corporate Governance System.

#### **Article E.10. Suppliers' Ethics Mailbox**

1. The Company has established a suppliers' ethics mailbox (the "**Suppliers' Ethics Mailbox**") as a channel of communication so that suppliers of the Company and the companies they hire to provide services or supplies to the Company (the "**Subcontractors**"), their respective employees, and companies that have participated in service or supply bidding to be suppliers may report conduct that may involve a breach by a Group professional of the Corporate Governance System or an illegal act or the commission by a supplier, one of its Subcontractors or their respective employees of an illegal act or act in violation of the provisions of this *Code of Ethics* within the framework of their commercial relationship with the Company or the companies of its Group.
2. Suppliers must promptly report the above conduct of which they become aware due to their commercial relationship with the Company or the Companies of its Group.
3. By contracting with the Company, suppliers undertake to inform their employees and their Subcontractors of the contents of this *Code of Ethics* and the existence of the Suppliers' Ethics Mailbox, as well as to require their Subcontractors to inform their employees thereof. In addition, suppliers must be able to verify compliance with such obligations at the request of the Company.
4. Suppliers and Subcontractors may also use the Suppliers' Ethics Mailbox to make queries or comments regarding this *Code of Ethics* and particularly the provisions of this section.
5. The country subholding and head of business companies of the Group that have compliance units or divisions may create their own suppliers' ethics mailboxes or any other reporting channels that they deem suitable or appropriate for such purpose.
6. Communications addressed to the suppliers' ethics mailboxes may be sent by filling out an electronic form that will be available on the Company's corporate website (in the suppliers area) and, if appropriate, on the websites of the companies of its Group, in a section to be called "Suppliers' Ethics Mailbox".
7. The foregoing shall be without prejudice to the operation of the suppliers' ethics mailboxes fully observing applicable law in each country in which the Group operates. The obligations and commitments assumed by the Group in its relations with third parties, as well as the customs and good practices of the countries in which it does business, shall also be fully observed.

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## SECTION F. COMMON PROVISIONS

### **Article F.1. Principles Governing Grievances Reported Through the Ethics Mailboxes**

1. Communications made through the ethics mailboxes shall always adhere to standards of truthfulness and proportionality, such that this mechanism may not be used for purposes other than seeking compliance with the *Code of Ethics* or applicable law.
2. The identity of the person reporting an improper action through any of the ethics mailboxes shall be deemed to be confidential information and, therefore, it shall in no event be communicated to the reported party without the consent of the reporting party, thus ensuring non-disclosure of the identity of the reporting party and avoiding any kind of response towards the reporting party from the reported party as a consequence of the report.
3. The Group undertakes not to engage in any direct or indirect retaliation against professionals or suppliers that have used ethics mailboxes to report conduct that must be reported pursuant to the provisions of this *Code of Ethics*, unless they have acted in bad faith.
4. Without prejudice to the foregoing, the data of the persons making the communication may be provided to governmental or court 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 government or court authorities shall in all cases be provided in full compliance with personal data protection legislation.
5. In those jurisdictions in which applicable law so allows, grievances made through the ethics mailboxes may be made anonymously.

### **Article F.2. Processing of Grievances Reported Through the Ethics Mailboxes**

1. The Compliance Unit shall process grievances reported through the ethics mailboxes. If the grievance affects a member of the Compliance Unit, such member may not participate in the processing thereof.
2. If the report affects a member of the Company's Board of Directors, the chair of the Unit shall inform the secretary of the Board of Directors to this end in order for the secretary to assist the chair in the processing of the investigative file, and specifically to select the investigating officer, who shall be a person from outside the Group to guarantee independence. The same rules shall apply to the outside directors of the other companies of the Group, in which case the director of the competent Compliance Division shall inform the secretary of the company in question for the same purpose.
3. If the matter affects a country subholding or head of business company of the Group that has its own compliance division, the Compliance Unit shall send the communication to such division in order for it to proceed with evaluation and processing in accordance with its own rules. Notwithstanding the foregoing, if the matter affects more than one country subholding or head of business company of the Group that has a compliance division, the processing of the file shall be coordinated by the Compliance Unit.
4. The processing of grievances made through any of the ethics mailboxes of the country subholding or head of business companies that have their own compliance division shall be handled by the latter.
5. In all investigations, the rights to privacy, due process and the presumption of innocence of the persons investigated shall be guaranteed.

### **Article F.3. Protection of Personal Data**

1. All data provided through the ethics mailboxes shall be included in a personal data file owned by the Company or the corresponding country subholding or head of business company in order to process the communication received through said ethics mailbox and to take such investigatory steps as may be required to establish the commission of the violation.  
The Group undertakes to treat all personal data received through the ethics mailboxes in the strictest of confidence at all times and in accordance with the purposes contemplated in this section, and it shall adopt such technical and organisational measures as may be needed to ensure the security of the data and avoid the alteration, loss or unauthorised processing thereof or access thereto, taking into account the current state of the art, the nature of the data stored and the risks to which they are exposed, all in compliance with the laws on the protection of personal data.  
In any event, each data collection form shall include the notices required by applicable law in order to clearly inform the interested parties of the purposes and uses that the processing of their personal data will serve.
2. As a general rule, the reported party shall be informed of the existence of a report upon commencement of the investigation proceeding. However, in those cases in which there is a significant risk that such notification may jeopardise the ability to effectively investigate the allegation or to gather the required evidence, such notification to the reported party may be delayed for as long as the risk exists.

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#### **Article F.4. Interpretation and Integration of the Code of Ethics**

1. This *Code of Ethics* shall be interpreted in accordance with the Company's Corporate Governance System.
2. The Compliance Unit is the body responsible for the general interpretation and integration of the *Code of Ethics*.
3. By way of exception to the foregoing, the management decision-making bodies of each of the companies of the Group are to provide a binding interpretation of the provisions set forth in section C in a manner consistent with the rest of the text of this *Code of Ethics*.
4. The interpretative opinions of the Compliance Unit, which must take into account the provisions of the *Mission, Vision and Values of the Iberdrola group*, shall be binding on all professionals and suppliers of all of the companies belonging to the Group.
5. The *Code of Ethics*, by its nature, does not deal with potential situations but rather establishes the standards to guide the conduct of the persons subject thereto in their relations with the Group and with third parties by reason of their connection to the Group, and to resolve any issues that might arise in the performance of their professional activities.
6. Any question that arises for the Group's professionals regarding the interpretation of the *Code of Ethics* should be discussed with an immediate superior. If the circumstances so require, it may be referred to the Compliance Unit, through the director thereof, or, when appropriate, to the compliance divisions that may exist at the country subholding companies or head of business companies of the Group.
7. In cases in which the country subholding or head of business companies of the Group have codes of ethics that are not identical to this *Code of Ethics* but rather include specific provisions to conform the content thereof to applicable domestic legal or industry-specific provisions, any compliance divisions at such companies shall interpret the latter, although the interpretation of the provisions of this *Code of Ethics* shall always be reserved to the Compliance Unit.

#### **Article F.5. Instructions in Contravention of the Code of Ethics**

1. No third party, regardless of rank or position, shall request that a director or a professional of the companies of the Group commit an unlawful act or breach of the provisions of the Corporate Governance System, especially the *Code of Ethics*.
2. In turn, no director, professional or supplier of the companies of the Group may justify improper or unlawful conduct or conduct that contravenes the provisions of the Corporate Governance System in reliance on an order from a superior or from any director or professional of the companies of the Group.

#### **Article F.6. Acceptance**

1. Directors, professionals of the companies of the Group and the suppliers thereof expressly accept the rules of conduct established in the *Code of Ethics* that are applicable thereto.
2. Professionals who join or hereafter become part of the Group and suppliers contracting with companies of the Group shall expressly accept the rules of conduct set forth in sections D and E, respectively, of this *Code of Ethics*.
3. Directors shall receive a complete copy of the *Code of Ethics*, for which they shall deliver a signed receipt.
4. An extract of this *Code of Ethics*, made up of sections A, B, D and F, shall be annexed to contracts with the professionals of the companies of the Group.
5. In the case of suppliers of the companies of the Group, an extract made up of sections A, E and F shall be annexed to their respective contracts. For purposes of clarification, the *Code of Ethics* need not be annexed to the contracts referred to in article E.1.2 above.

#### **Article F.7. Approval and Amendment**

1. The *Code of Ethics* shall be revised and updated periodically, in accordance with the annual report of the Compliance Unit, as well as with the suggestions and proposals of the professionals of the Group and the suppliers thereof.
2. The Sustainable Development Committee, the Internal Audit Area and the Compliance Unit shall be able to make proposals to improve or to foster the adaptation of the *Code of Ethics* as a whole.
3. The amendment of this *Code of Ethics* shall in any case fall within the purview of the Board of Directors.

The *Code of Ethics* was approved at a meeting of the Board of Directors of the Company held on 27 February 2002 and was last amended on 23 October 2018.

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