

19 July 2018

**Regulations of the
Compliance Division of
Iberdrola España, S.A.,
Sociedad Unipersonal
(Sole Shareholder Company)**

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TITLE I. NATURE AND PURPOSE

Article 1.- Nature and purpose

1. The Board of Directors of IBERDROLA ESPAÑA, S.A. (Sociedad Unipersonal) (the “**Company**”) has approved these regulations (the “*Regulations*”) for the compliance division (the “**Compliance Division**”).
2. The Compliance Division is an independent internal area linked to the Audit and Compliance Committee, to proactively ensure the effective operation of the Company’s compliance system. The division was created according to the corporate governance system and thus has broad powers, budgetary autonomy and independence to act.
3. The Company’s Compliance System integrates all the policies, formal procedures and material actions that aim to prevent incorrect behaviour that goes against ethics, the law, or the Corporate governance system that may be committed by Company professionals within the organisation and ensure its performance in accordance with ethical principles and applicable legislation.
4. The Compliance Division shall be governed by the present *Regulations* and all other pertinent rules, standards and policies that form part of the Company’s corporate governance system.

TITLE II. COMPOSITION

Article 2.- The Director of Compliance

1. The person ultimately in charge of the Compliance Division will be its Director (the “**Director of Compliance**”), who shall have the faculties necessary to undertake his/her duties.
2. The Company’s Board of Directors shall be responsible for the appointment and dismissal of the Director of Compliance, subject to a report by the Audit and Compliance Committee.
3. The Director of Compliance must have the expertise, qualifications and experience appropriate for the duties that he/she is called upon to perform.
4. The Director of Compliance shall manage the operations and budget of the Compliance Division and shall also be responsible for executing the corresponding measures and action plans while ensuring that the Compliance Division proactively discharges its duties.
5. The Compliance Director shall establish the structure of the Compliance Division under the principle of independent and effective management, while the Audit and Compliance Committee shall take steps to ensure that the department has the human and material resources needed to carry out its tasks.
6. Neither the Director of Compliance nor the rest of the Compliance Division members can be members of the Company’s Board of Directors.

Article 3.- The Compliance Division Office

1. The Compliance Division will have the support of a multidisciplinary office integrated by the Director of Compliance, who will be responsible for its management (the “*Office*”).
2. The following functions of the Company will be represented in the Office:
 - a) Corporate governance;
 - b) Tax;
 - c) Personal data protection; and,
 - d) Occupational Health and Safety.
3. Through the Office, the Director of Compliance:
 - a) Will ensure that each of the represented functions knows and is aware of the areas with the highest compliance risk under their responsibility and will ensure that there are no significant risk areas not included in the Office.
 - b) Will identify the areas of compliance risk whose management and control may be attributed to more than one function of the group formed by the Company and its subsidiaries, formulating recommendations and proposals to avoid duplications that are not justified.
 - c) Promote the exchange of best practices in matters of compliance within the group formed by the Company and its subsidiaries, in particular, between the functions represented in the Office.
 - d) Will be informed of the main actions performed by the functions represented in the Office in their main areas of action: risk analysis, internal policies and procedures adopted for the management of said risks, communication and training activities, detection activities and implemented remediation measures.
 - e) Receive periodic information on any incidents that occur in the area of responsibility of each of the functions represented.
 - f) Receive the necessary information from the different functions so that the Compliance Division can incorporate it into the annual report on the effectiveness of the Compliance System that it creates in accordance with the provisions of article 4.5.a) of this Regulation
 - g) Seek advice on other aspects that the Compliance Division may request.

4. The functions that form part of the Office must each appoint a representative with sufficient experience and knowledge about the functions and activities carried out by their respective function. From time to time, the representatives may delegate attendance to an Office meeting to another person from the same function.

TITLE III. FUNCTIONS

Article 4.- Duties of the Compliance Division

1. The primary duties of the Compliance Division shall be:
 - a) To promote the dissemination, knowledge and compliance of IBERDROLA, S.A.'s *Code of Ethics* adopted by the Company (hereinafter, the "*Code of Ethics*") and the rules and procedures designed to prevent fraud.
 - b) Oversee the operation and efficiency of and compliance with the *Crime and fraud prevention policy* and control the implementation, development and fulfilment of crime prevention programmes, both within the Company and its subsidiaries that do not have their own compliance division and are not controlled by a company that has its own compliance division, notwithstanding the responsibilities attributed to other bodies.
 - c) Promote a preventive culture based on the principle of "*zero tolerance*" towards condoning unlawful acts and situations of fraud, and in the application of the principles of ethics and responsible conduct of all professionals in the Company and subsidiaries regardless of their seniority or country in which they work.
 - d) To review internal procedures of the Company and its subsidiaries to check their effectiveness in preventing incorrect conducts and identifying possible procedures that could be more effective in promoting the highest ethical standards.
 - e) Manage the ethics mailbox (the "**Ethics Mailbox**") and provider ethics mailbox (the "**Provider Ethics Mailbox**") of the Company and its subsidiaries (jointly referred to as the "**Ethics Mailboxes**") and take or coordinate the necessary steps for investigating claims and issue the resolutions adopted.
 - f) Promote the preparation and implementation of suitable training programmes, both face-to-face and on-line or using any other method deemed appropriate for the Company's professionals on the obligations imposed in the *Code of Ethics* and the *Crime prevention and anti-fraud policy*, and applicable legislation, with sufficient regularity to guarantee that their knowledge on this matter remains up-to-date. In particular, the Company's professionals will receive training on the Code of ethics and the Crime prevention and anti-fraud policy and, when necessary, on its implementing rules, focusing on corruption and responsibility, and the legal and regulatory obligations specifically applicable to their function.
 - g) To establish the tools needed to ensure documentary proof and record-keeping of the actions making up the Company's compliance system.
 - h) Ensure effective compliance with the applicable regulations in the area of incompatible activities.
2. To these effects, the Compliance Division will be responsible for drawing up, approving, permanently keeping up-to-date and ensuring the application of the procedures that it deems to be appropriate to prevent criminal activities and fraud in the Company and its subsidiaries.
3. In addition, the Director of Compliance shall perform the functions conferred upon them by the *Code of Incompatible Activities of Iberdrola Group Spain companies with regulated activities* and, particularly, supervise and assess compliance with the obligations established therein and compile the annual report, according to the provisions of the aforementioned code. The report shall be presented to the Company's Audit and Compliance Committee to obtain their opinion, after which the Compliance Director shall submit it to the Board of Directors for their knowledge. The Director of Compliance will send a copy of this report to the Compliance Director of Iberdrola, S.A. ("**Iberdrola**"), the parent company, as defined by law, of the group the Company belongs to (the "**Group**").
4. From time to time, the Compliance Division will identify the different areas or functions with risk areas in terms of compliance, different from those described in the above sections, and may propose its participation in the Office, in accordance with the provisions of article 18.2 of this Regulation.
5. The Compliance Division will also be responsible for:
 - a. Annually evaluating the efficacy of the compliance system of the Company and of the parent companies of its subsidiaries, with the collaboration of the different compliance divisions, and creating a report with the results of said evaluation. The report will be presented to the Company's Audit and Compliance Committee to obtain its opinion and it will be forwarded to the Board of Directors for its knowledge. The Director of Compliance will send a copy of this report to Iberdrola's Compliance Director for the pertinent purposes.
 - b. Annually assess the effectiveness of the company's *Crime Prevention Programme*
 - c. Notify the Iberdrola Audit and Compliance Committee and director of compliance about relevant matters regarding the efficacy of the Company compliance system
 - d. Ensure the adequate coordination of the compliance systems implemented by each of the compliance divisions of the businesses' parent companies, promoting the exchange of the best practices and the approval of standards that promote these companies having homogeneous, solid, comprehensive and effective compliance systems
6. The Compliance Division and its Director shall likewise exercise all further functions, whether specific or permanent, that may be entrusted to them by the Company's Board of Directors or by the Company *By-Laws* or any other corporate governance rules and regulations of the Company.

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7. The provisions of this article shall be understood in any case without prejudice to the head companies of the businesses in which the Company has an interest having their own responsible compliance division in particular of its own crime prevention programme.

Article 5.- Relationships between the Compliance Division and the Iberdrola Compliance Unit and with the compliance divisions of the Group companies controlled through the Company

1. The Compliance Division will take steps in coordination with Iberdrola's Compliance Unit in keeping with the General coordination, collaboration and information protocol
2. To guarantee the effectiveness of the compliance system of the group formed by the Company and its subsidiaries and notwithstanding the responsibilities attributed to its administrative bodies, the Compliance Division shall coordinate its activity with the compliance divisions of those companies and for this purpose shall establish a coordination, collaboration and information protocol.

TITLE IV. RESOURCES, BUDGET, ANNUAL ACTIVITY PLAN, DUTIES AND FACULTIES

Article 6.- Human capital and material resources

1. The Compliance Division shall have the material and human resources needed to perform its duties.
2. The Audit and Compliance Committee shall ensure that the Compliance Division has the resources necessary to guarantee its independence and effectiveness.

Article 7.- Quote

1. On proposal by the Director of Compliance before the start of each year, the Compliance Division shall submit the budget project for its activities for the following year to the Audit and Compliance Committee for approval.
2. Following validation by the Audit and Compliance Committee, the budget project shall then be submitted to the Board of Directors for final approval.

Article 8.- Annual activity plan

On proposal by the Director of Compliance before the start of each year, the Compliance Division shall submit an annual activity plan for the following year to the Audit and Compliance Committee for approval. This shall be done according to the Company's rules of corporate governance.

Article 9.- Faculties and advice

1. The Compliance Division, through the Compliance Director and so long as permitted by pertinent legislation, shall have access to the information, documents and offices of the administrators and professionals in the Company and its subsidiaries, including any deeds and documentation of the bodies that manage, supervise and control for the sake of discharging its duties properly. In this regard, all professionals and administrators in these companies must provide any required collaboration to the Compliance Division to enable them to carry out their duties.
2. The Committee may also seek, at the expense of the Company, the cooperation or advice of outside professionals, who shall address their reports directly to the Compliance Division.
3. Whenever possible, and so long that the effectiveness of its efforts remains unaffected, the Compliance Division shall attempt to undertake its activities transparently, reporting to the affected administrators and professionals when possible and appropriate as to the purpose and scope of the activities.

Article 10.- Duties of Compliance Division members

1. The members of the Compliance Division must act with independence of opinion and action with respect to the rest of the organisation and perform their work with the utmost diligence and professional competence.
2. The members of the Compliance Division shall keep any discussions and resolutions confidential and in general refrain from disclosing any information, data, reports or background information to which they may have access while discharging their duties, and from using any of the foregoing for personal or third-party benefit notwithstanding the applicable duties of transparency and information. The duty of confidentiality of the members of the Compliance Division shall prevail even after the member no longer holds the position.

TITLE V. PROCESSING AND INVESTIGATIONS OF INFRACTIONS

Article 11.- Start of investigations on infringements

1. The Compliance Division will be competent to investigate potential breaches of the Corporate Governance System, including, in particular, the rules of conduct of the *Code of Ethics* or the *Suppliers' Code of Ethics*, as well as conduct that may involve the commission of any irregularity or any unlawful act, with transcendence in the professional functions of the person who carried out the breach within the Company, in the contractual relationship with the suppliers or in the interests and image of the Company.
2. The Compliance Division may initiate an investigation when it has knowledge of facts or circumstances that may constitute a breach or an irregularity of those described in the previous section, either ex officio, by agreement of the Unit or decision of its Director of Compliance, or through a complaint formulated through the ethical mailboxes defined in the following article or by any other means.

3. The principles, rules of conduct and guarantees established under this title shall be applicable across the entire case on the infractions processed by the Compliance Division regardless of the manner in which it had been initiated.
4. When the infractions mentioned in section 1 above affect a head of business company, or one of their professionals or suppliers, the Compliance Division of the affected company is the competent body responsible for investigating them.

Article 12.- Creation of the Ethics Mailboxes

1. The Company will create the Ethics mailbox to promote compliance with law and the rules of conduct of the *Code* The Ethics Mailbox is a transparent channel that enables the professionals of the Company and its subsidiaries which are not parent companies of the businesses of the Group and are not controlled through those companies to report any conduct that may involve the commission of an irregularity or an act in violation of legal provisions or of the rules of conduct laid down in the *Code of Ethics*. Communications addressed to the Ethics Mailbox may be sent by completing an electronic form that will be available on the intranet or via e-mail codigoeticoiberdrolaespana@iberdrola.es.
2. The Company will also set up a Provider Ethics Mailbox as a communication channel so that providers, subcontractors, their respective employees and third parties who have been awarded a tendered contract for the provision of services or supplies as the Company's providers can report any conduct that represents a breach, committed by any of the Company's employees, of the corporate governance system or any illegal act, or any act by one of its subcontractors or their respective employees that infringes the law or the provisions of the Code of ethics of the provider which is part of the Procurement Policy, as part of its business relations with the Company. Providers and their subcontractors may also use the Provider Ethics Mailbox to enquire or share their suggestions concerning the *Supplier's Code of Ethics*.

Article 13.- Management of the Ethics Mailboxes

1. Management of the Ethics Mailbox and Ethics Mailbox of the Company's suppliers correspond to the Compliance Division.
2. In the performance of said duty, the Compliance Division must observe the guiding rules and principles which are set out for this purpose in the *Code of Ethics* and in the *Supplier's Code of Ethics* included in the *Procurement policy*.

Article 14.- Acceptance for processing complaints

1. On receipt of a complaint, the Compliance Division shall determine whether it should proceed to process it.
2. The Compliance Division shall inform the Audit and Compliance Committee of only potentially significant financial or accounting irregularities that are communicated through the Ethics Mailboxes and the latter shall provide any documentation requested by the former.
3. The Compliance Division shall not process any complaint that lacks foundation or plausibility, when the data protection requirements have not been met, or when the action reported constitutes no breach of the corporate governance system or conduct that could imply the perpetuation of an irregularity, act violating the law or the rules of conduct established under the *Code of Ethics* or *Supplier's Code of Ethics*, which could have repercussions on the professional duties of the person who committed the breach within the Company or the Group, on the contractual relationship with providers or on the Company or Group's interests and reputation.
4. With a view to explaining the acceptance to process the complaint, the Compliance Division may, at its own discretion, opt to call on the communication's sender to clarify or complete the complaint by furnishing documentation and/or data that could be necessary to substantiate the existence of an irregular conduct.

Article 15.- Processing the case

1. Having accepted the complaint for processing, the Compliance Division shall undertake the corresponding investigation and handle the case; the collaboration of external advisors is permitted if necessary. If the complaint is lodged against a member of the Compliance Division, this person may not participate in processing the complaint.
2. If the claim affects a member of the Board of Directors, the Director of Compliance shall inform the secretary of the Board of Directors so that he/she can assist him/her in processing the case and, specifically, in selecting the examining magistrate (a person external to the Group to ensure independence).
3. The Compliance Division shall check the veracity and accuracy of the information contained in the complaint and, in particular, the reported conduct, with respect of the rights of the affected parties. For such purposes, it shall undertake a hearing process for all affected parties and witnesses and undertake any diligence it may deem necessary. All professionals shall be required to cooperate in the investigation in good faith. The participation of witnesses and affected parties shall be strictly confidential.
4. The investigation shall be carried out following the provisions of the Investigations Manual that are adopted or approved by the Compliance Division, and all affected parties shall be informed regarding the treatment of their personal data by the Company, and any other duty imposed by law on the protection of personal data shall also be complied with.
5. In every investigation, the rights to privacy, to defence and to the presumption of innocence of the persons under investigation will be guaranteed and all the necessary measures will be taken to avoid any type of reprisals against the complainant. The Company undertakes not to adopt any form of retaliation, direct or indirect, against professionals who have reported an irregular action that could be investigated by the Compliance Division, unless they acted in bad faith.
6. The Compliance Division may, at any time during the procedure, seek the assistance of an adviser and the collaboration of the Human Resources, Legal Services or Procurement Division, or whomever, as the case may so require, is the purchasing liaison of the company of the corresponding Group, with a view to determining the consequences and manner to act in response to any complaint.

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Article 16.- Decision on the case

1. After processing the case, the Compliance Division shall issue a justified decision as necessary.
2. If the decision issued concludes that a professional has committed an irregularity or act in violation of the law or the applicable rules of conduct specifically pertaining to the professionals of the Company and its subsidiaries, the matter will be transferred to the Human Resources Department para with the application of the corresponding disciplinary measures, of which it will inform the Compliance Division. In the event of an irregular act or an act in violation of the law or the corporate governance system rules affecting a member of the Board of Directors, the Compliance Division will pass the resolution on to the Audit and Compliance Committee via the secretary of the Board of Directors to apply any of the measures envisaged in the corporate governance rules, of which the Compliance Division will be informed.
3. If the issued decision concludes that a provider has committed an irregularity or act in violation of the law or applicable rules of conduct of the *Supplier's Code of Ethics*, the Compliance Division will convey it to the Procurement Division or whomever, as the case may be, was the purchasing liaison of the company of the corresponding group, so as to exercise the appropriate contractual rights, which will be subsequently reported to the Compliance Division.
4. Should the results of the case entail the possible lodging of lawsuits, the Compliance Division shall refer the actions to the Legal Services Department to begin taking the pertinent administrative or legal steps for each case, of which the Compliance Division must be informed.
5. When the irregularity or non-compliance could have a material impact on the financial statements or internal control of the Company, the Compliance Division will report this to the Internal Audit Division

Article 17.- Protection of personal data

1. The transfer of personal data via the Ethics Mailboxes may require, in certain cases, and depending on the subject of the complaint and the pertinent legislation, the need to seek the express and unequivocal consent for processing the personal data of not only the person who made the complaint but also the person who has been reported. For this purpose, the necessary mechanisms will be enabled for securing consent, which, as the case may so require, could be required before taking any further steps, under the terms required under the pertinent personal data protection legislation.
2. In general, the reported party shall be informed of the existence of a complaint when the initiating the steps to conduct the investigation. However, in cases with a significant risk that such a notification could jeopardise the ability to effectively investigate the allegation or to gather any required evidence, such notification to the reported party may be delayed for as long as the risk exists.
3. Persons sending a complaint through Ethics Mailboxes must warrant that the personal data provided are true, correct, complete and current.
4. The data processed within the framework of the investigation shall be deleted as soon as such investigation has finished, unless the measures adopted give rise to administrative or legal proceedings. Notwithstanding the foregoing, the Company shall keep the aforementioned data duly blocked during the period in which any liability may arise from the accusations from the actions carried out by the Company.
5. In accordance with law, users of the Ethics Mailboxes may at any time exercise the rights of access, correction, deletion and challenge with respect to their personal data by means of written complaint addressed to the Company's registered office, complying with legal requirements in force and specifying the right they desire to exercise.

TITLE VI - AMENDMENT, COMPLIANCE AND INTERPRETATION

Article 18.- Amendment

1. Any amendment of these Regulations must be approved by the Company Board of Directors subject to a report by its Audit and Compliance Committee
2. The Compliance Division may propose changes to the Regulations to the Company's Audit and Compliance Committee

Article 19.- Compliance

The Director of Compliance shall have the obligation to ensure compliance with these Regulations.

Article 20.- Interpretation

This Regulation shall be interpreted in accordance with the Company's Corporate Governance System.