

Introduction to Book Five - Corporate Governance

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.



1. The Governance and Sustainability System constitutes the internal regulatory framework for the Company and is established, within exercise of the corporate autonomy that the law supports, to ensure through its rules the realisation of its purpose and its values and the achievement of its business ends and goals.
2. The Iberdrola Group's policies, adopted by the Board of Directors of Iberdrola Generación España constitute an essential piece of its Governance and Sustainability System, set the guidelines for conduct, directions and standardised solutions for questions that are recurring or of special importance in the administration and management of the company, as well as for the best implementation of the *Purpose and Values of the Iberdrola Group*, as well as relations with all of its stakeholders.
3. Due to the structure and organisation of the Iberdrola Group as well as its international nature and dimension, the corporate governance policies and rules, which are intended to give effect to the *Purpose and Values of the Iberdrola Group* through the alignment of the corporate decision-making bodies with its sustainability goals, are particularly significant in the internal organisation of its companies.
4. The decisions on strategy and supervision, on administration and management and the development of the business of Iberdrola, of the Company and of the other companies of its Group thus serve to most efficiently achieve their goals.
5. The policies and rules contained in this Book Five of the Governance and Sustainability System are structured into three categories: (i) corporate governance and regulatory compliance policies; (ii) risk policies; (iii) rules on governance of the corporate decision-making bodies and of other internal functions.
6. The corporate governance and regulatory compliance policies, which are included within the Iberdrola Group's global sustainable development strategy, play a fundamental role in its internal organisation, which is not limited to its corporate dimension (as a sub-holding company of a multinational group of companies, that differentiates the functions of strategy, supervision and control of the overall Group, of organisation and coordination of the businesses of each territory and of day-to-day administration and management), but also includes its reality as an institutional company committed to all of its stakeholders, especially, to the extent relevant here, to its shareholders, directors and professionals and in observance of the legal and ethical framework within which it must unequivocally conduct itself.
7. The purpose of the risk policies is to establish the basic principles and general framework for controlling and managing all kinds of risks the Company is vulnerable to, particularly including corporate risks and the specific risks of the various businesses.
8. The governance rules of the corporate decision-making bodies and of other internal functions establish the rules of operation of the main corporate decision-making bodies of Iberdrola Generación España, in accordance with its nature and characteristics as a head of business companies company. Based on the corporate configuration of the Iberdrola Group contained in the *Articles of Association* and always with a view to correct compliance with and implementation of the Iberdrola Group Purpose and Values, these rules meet the primary goal of regulating the most appropriate levels and most suitable procedures for the correct operation of the Company and its internal bodies and committees, defining the creation, composition, organisation, powers and operating guidelines thereof, among other aspects, as well as the rights, duties and obligations of their members.
9. For both its own conduct as well as that of the people connected with it, Iberdrola Generación España aspires to be consistent with and conform to not only the requirements or demands established by applicable rules and laws, but also, beyond this minimum required level, to the entirety of its own Governance and Sustainability System, which includes the best practices generally accepted in the international markets in the areas of good corporate governance and transparency.
10. Like the rest of the Governance and Sustainability System, the policies and rules contained in this Book five are subject to a process of continuous review for adaptation to the changing circumstances in which the Company carries out its business activities, to applicable law and to the best applicable practices. The Company has in place, uses and promotes multiple channels and pathways for dialogue with all of its stakeholders for these purposes.

In Bilbao, on 13 April 201

The Board of Directors of Iberdrola Generación España, S.A.U.