

16 June 2015

Code of Conduct of Fundación Iberdrola España for Temporary Investments

Content

INTRODUCTION	3
Section 1.- Scope of application	3
Article 2.- Definitions	3
Article 3.- Capacity to decide on the selection and management of temporary investments	3
Article 4.- Guiding principles for selecting and managing temporary investments	3
Article 5.- Transparency of information	4
Article 6.- Entry into force	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.



Take care of the environment.
Printed in black and white and only if necessary.

INTRODUCTION

The Third Additional Provision of Law 44/2002 of 22 November, on Measures to Reform the Financial System, with a view to reinforcing the transparency in the scope of the foundations and further non-profit entities, entrusted the National Securities Market Commission, Bank of Spain and the Ministry of the Economy, so that each one in its particular scope of oversight can approve the codes of conduct containing the specific rules and principles to which the temporary financial investments must be adjusted.

In the implementation of this mandate, National Securities Market Commission adopted a resolution on 20 November 2003 approving the minimum content of the Code of Conduct for Foundations and other non-profit organisations. This agreement contemplated the reporting obligations concerning temporary investments made by Foundations to their Protectorates.

The Board of Trustees of Fundación Iberdrola España, erstwhile known as Fundación Iberdrola (hereinafter referred to as the "**Foundation**"), in its meeting on 18 December 2008 and by unanimous vote of all the members present, agreed to approve the *Code of Conduct for temporary investments of Fundación Iberdrola* with a view to incorporating said standards to the Foundation's governance system, making the Foundation's financing arrangements explicit.

For the sake of guaranteeing a more precise understanding of the content and scope of the referred resolution of 18 December 2008, the Board of Trustees of the Foundation, in its meeting on 16 December 2011, unanimously approved an articulated text of the *Code of Conduct for temporary investments of Fundación Iberdrola*, which contained and implemented the standards and principles approved by the Board of Trustees for making investments of this sort in compliance with the requirements stipulated by law and regulations.

With a view to updating and adapting its content and scope to the new foundational arrangement of the Group so that the Foundation becomes linked to Iberdrola España, S.A.U. as a *subholding* company in Spain, the Board of Trustees of Fundación Iberdrola España, during its meeting on 16 June 2015 unanimously approved an articulated text of the *Code of Conduct for temporary investments of Fundación Iberdrola España (hereinafter the "Code of Conduct")*.

This document replaces the *Code of Conduct for temporary investments of Fundación Iberdrola* approved by the resolution on 16 December 2011.

Section 1.- Scope of application

1. The present *Code of Conduct* will apply to the temporary investments in real estate assets and financial instruments that are under the scope of supervision of the National Securities Market Commission.
2. *Compliance with the provisions of this Code of Conduct* shall be mandatory notwithstanding the economic management control obligations corresponding to the Protectorate by virtue of article 25 of the Foundations Act (Law 50/2002 of 26 December) or any legislation superseding it.

Article 2.- Definitions

For the purposes of this *Code of Conduct*, the following definitions shall apply:

- a) *Temporary investments*, investments in their condition as such according to the General Accounting Plan, approved by Royal Decree 1514/2007 of 16 November, so long as they are investments in assets maturing no later than one year and assets of a longer maturity term that are acquired or maintained with a view to securing the short-term benefits of the variations in their prices.
- b) *Real estate assets and financial instruments*, as contemplated in article 2 of the Securities Market Act, and stock in Group Investment Institutions.

Article 3.- Capacity to decide on the selection and management of temporary investments

As provided for under article 25 of the Articles of Association of Fundación Iberdrola España, the Board of Trustees is empowered to vary the composition and manner of investment of the Foundation's assets as demanded by the economic situation at the given time, subject to any requirement to seek proper authorization from or give appropriate notice to the Protectorate.

Article 4.- Guiding principles for selecting and managing temporary investments

The Board of Trustees of Fundación Iberdrola España shall be guided in its selection and management of its temporary investments by the following guiding principles:

- a) **Principle of Security**, appraising the return on investment within the expected maturity term and investing in guaranteed financial instruments.
- b) **Principle of liquidity**, entailing the consideration of the possibility of converting financial instruments into cash at a reasonable cost in light of the market conditions at any given moment. This will be done with a view to preserving the liquidity of temporary investments in securities or financial instruments traded on official secondary markets.
- c) **Principle of profitability**, entailing the linking of the cost of the investment with the revenue that it generates.
- d) **Principle of diversification**, which requires investment in different financial instruments among those provided by internationally or nationally renowned financial institutions. To the extent advisable by the volume of the investment and the circumstances of the market, temporary investments shall be made in various issuing entities and among financial instruments of differing volumes.

In any case, financial instruments that provide better security and liquidity will always be selected, particularly on-demand savings accounts, time-based savings accounts or guaranteed group investment funds.

-
- e) **Principle of no speculation**, which entails a permanent avoidance of operations and transactions that respond to a merely speculative use of financial resources, hence the Annual Tracking Report referred to in the next article must contain special explanation regarding the execution of the following operations:
- Sales of borrowed securities against cash.
 - Intraday transactions.
 - Forward and option markets trading.
 - Any other transactions of a similar nature.

Article 5.- Transparency of information

- The Board of Trustees of Fundación Iberdrola España shall draw up an Annual Tracking Report on the level of compliance with this *Code of Conduct* that will include, in all cases, a section specifically dedicating to reporting the applicable transactions made.
- In particular, reference shall be made to the investment selection and management systems and a breakdown of the postures of Fundación Iberdrola España in the financial investments included in the scope of application of this *Code of Conduct*. It shall also report the completion and justification for transactions of a speculative nature by virtue of the article 4.e) of this *Code of Conduct*.
- The Annual Tracking Report shall be submitted to the Protectorate in the legal and statutory conditions established to do so at any given moment.
- In any case, Fundación Iberdrola España will post this *Code of Conduct* and the Annual Tracking Report on its website.

Article 6.- Entry into force

This *Code of Conduct* will become effective on 16 June 2015.

