

**Module: Introduction****Page: W0. Introduction**

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**W0.1****Introduction**

Please give a general description and introduction to your organization.

IBERDROLA is very proud to participate in the CDP Water Disclosure 2014 and we publish our answer in the CEO WATER MANDATE yearly. Water is an essential resource and fundamental to its business development, being aware of the importance of a water management and conservation. IBERDROLA started its operations at mid 19th century in US and in 1901 in Spain based on hydroelectric power. 12 years ago, we pre-empted the rest of the sector with a focus on renewables that has made us world leader in wind power and pioneer in measures to combat climate change.

IBERDROLA operates in more than 40 countries and over 28 million customers. From the beginning, IBERDROLA's Group has promoted a core business based on a sustainable energy model, covering the need for stable, safe and competitive energy supplies and access for all people to this essential service under affordable economic conditions (service competitiveness and universality) with a focus on operations with lower emissions and greater efficiency in the production and use of energy where water has a fundamental role.

Our water management in 2013:

IBERDROLA's hydroelectric generation represents 13% of total generation.

Water use is defined as the difference between the water captured, excluding seawater or saltwater and the water discharged into the environment. 95.6 % of the water collected at thermal generation and cogeneration facilities is subsequently returned to the receptor environment in a physicochemical condition that allows it to be utilized by other users without affecting the natural environment. 1.6 % of the collected water is consumed and/or retained in the various processes and 2.8 % is returned to the environment in the form of steam generated at the cooling systems of the thermal power plants.

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**W0.2****Reporting Year**

Please state the start and end date of the year for which you are reporting data.

Period for which data is reported
Tue 01 Jan 2013 - Tue 31 Dec 2013

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**W0.3****Reporting Boundary**

Please indicate the category that describes the reporting boundary for companies, entities, or groups for which water-related impacts are reported.

Companies, entities or groups in which an equity share is held

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**W0.4****Exclusions**

Are there any geographies, facilities or types of water inputs/outputs within this boundary which are not included in your disclosure?

No

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**W0.4a****List of Exclusions**

Please report the exclusions in the following table

Exclusion	Please explain why you have made the exclusion

**Further Information**

**Module: Current State**

**Page: W1. Context**

**W1.1**

**Please rate the importance (current and future) of water quality and water quantity to the success of your organization**

Water quality and quantity	Importance rating	Please explain
Direct use: sufficient amounts of good quality freshwater available for use across your own operations	Neutral	Each facility introduced its water information because they have on-line control of the main variables. Also, maximum limits on the capture and consumption of fresh water are established and monitored also by the government administrations of each region through the relevant governmental entities. The government also establishes and controls surface level limits and ecological flows at the hydroelectric generation reservoirs.
Direct use: sufficient amounts of recycled, brackish and/or produced water available for use across your own operations	Important	1.6 % of the collected water was consumed and/or retained in the various processes
Indirect use: sufficient amounts of good quality freshwater available for use across your value chain	Neutral	Most of the water withdrawn is surface water, mainly marine or estuary, and is returned to the environment partly as evaporated water and the rest included in discharges from the facilities.
Indirect use: sufficient amounts of recycled, brackish and/or produced water available for use across your	Important	95.6 % of the water collected at thermal generation and cogeneration facilities was returned to the receptor environment in a physicochemical condition that allows it to be utilised by other users without affecting the natural environment.

Water quality and quantity	Importance rating	Please explain
value chain		

## W1.2

**Have you evaluated how water quality and water quantity affects /could affect the success (viability, constraints) of your organization's growth strategy?**

Yes, evaluated over the next 10 years

### W1.2a

**Please explain how your organization evaluated the effects of water quality and water quantity on the success (viability, constraints) of your organization's growth strategy?**

Iberdrola's strategy, based on the use of production technologies with lower emissions, is achieving a reduction in the consumption ratios for fuel, energy, water, and other materials per GWh produced (i.e. eco-efficiency). Water use (hm<sup>3</sup>) is defined as the water captured, excluding seawater or saltwater and water discharged into the environment.

The water withdrawn to carry out the Group's activities is mainly used in the cooling systems of the thermal plants, and to a lesser extent in standby services and other processes. A small proportion of the water collected is consumed (by evaporation) in the process itself, and the remainder is returned to the natural receptor environment, after undergoing physicochemical and thermal treatment to ensure its quality.

The maximum limits on inland water collection and consumption are established and controlled by the government of each country, which assigns the permits and determines the maximum allowed volumes of collection to ensure that there are no significant impacts. The government also establishes and controls surface level limits and ecological flows at the hydroelectric generation reservoirs.

For example, in Spain and the United Kingdom the operation of the hydroelectric plants conforms to the requirements of the Water Framework Directive, while the thermal generation plants operate under the Integrated Pollution Prevention and Control Directive. In order to comply with this regulation, water is included as an important element within the environmental management systems.

The best available practices are introduced and used at the facilities so that the withdrawal and consumption of water is the minimum possible and with the least impact on the environment, avoiding the withdrawal of water in areas with water stress, and trying to recycle and reuse water to the maximum. There is a goal for efficient and responsible domestic running water consumption by employees at offices and control buildings. For this purpose, there are awareness-raising campaigns and the installation of efficient systems to reduce the consumption of water, such as taps with photoelectric cells.

In recent years, the replacement of less efficient production technologies such as conventional thermal generation (coal and fuel-oil) by renewables and combined cycles has lead to a reduction in water consumption per GWh produced.

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**W1.2b**

What is the main reason for not having evaluated how water quality and water quantity affects /could affect the success (viability, constraints) of your organization's growth strategy, and are there any plans in place to do so in the future?

Main reason	Current plans	Timeframe until evaluation	Comment

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**W1.3**

**Has your organization experienced any detrimental impacts related to water in the reporting period?**

No

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**W1.3a**

Please describe the detrimental impacts experienced by your organization related to water in the reporting period

Country	River basin	Impact indicator	Impact	Description of impact	Overall financial impact	Response strategy	Description of response strategy

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W1.3b

Please choose the option below that best explains why you do not know if your organization experienced any detrimental impacts related to water in the reporting period and any plans you have to investigate this in the future

Primary reason	Future plans
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**Further Information**

**Module: Risk Assessment**

**Page: W2. Procedures and Requirements**

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W2.1

**Please select the option that best describes your procedures with regard to assessing water risks and provide an explanation as to why this option is suitable for your organization**

Water is integrated into a comprehensive, company-wide risk assessment process incorporating both direct operations and supply chain

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W2.1a

**You may provide additional information about your approach to assessing water risks here**

Risk identification process is wide in the company, beyond the traditional environmental functions. IBERDROLA has specific policies related to environmental management (Environmental, Biodiversity, Policy against Climate Change, and Sustainability), which determine directives in the development of its strategy and investments and the function and control of environmental risks. The management tool is a comprehensive risk system, certified in accordance with the UNE-EN-ISO 9001:2008 standard, and which takes into account the principal environmental risks, considering all activities and business. A methodology was developed to

harmonize the identification criteria, assessment, and prioritization of environmental risk.

There are commitments in the Procurement area to foster environmental responsibility and promote strict compliance by suppliers with contractual conditions and current legislation, specially focused in the principles established in the United Nations Global Compact.

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**W2.2**

**Please state how frequently you undertake water risk assessments, what geographical scale and how far into the future you consider**

Frequency	Geographic scale	Timeframe
Yearly	Facility	Next 10 years

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**W2.3**

**Please state the methods used to assess water risks**

Method
FAO/AQUASTAT
WRI water stress definition

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**W2.4**

**Which of the following contextual issues are always factored into your organization's water risk assessments?**

Issues	Choose option	Please explain
Current water availability and quality parameters at a local level	Relevant, included	The World Resources Institute defines areas where per capita water supply drops below 1,700 m <sup>3</sup> /year as water-stressed areas, where disruptive water shortages can frequently occur. AQUASTAT is FAO's global information system on water and agriculture, it collects, analyzes, and publicizes information on water resources, water uses, and agricultural water management. By using this method, IBERDROLA affirm that the Company DOES NOT have any plant located in any area considered.
Current water regulatory frameworks and tariffs at a local level	Relevant, included	Relationships geared to the enactment of efficient regulatory provisions allowing for development of a competitive market in activities not subject to a natural monopoly and sufficient remuneration for regulated businesses. There is a continuous and constructive dialogue. As a general rule, we work for the approval of and respect for the principles of good regulation: proportionality, effectiveness and efficiency, responsibility and independence, consistency and credibility and, transparency and clarity
Current stakeholder conflicts concerning water resources at a local level	Relevant, included	IBERDROLA takes various types of actions to minimise, mitigate, and offset unfavourable socioeconomic impacts that might be caused by its facilities. Various actions are taken to benefit the community, including: improvements in communication infrastructure, water supply or roadways; public lighting; creation of direct and indirect employment; professional training courses; activities to support entrepreneurs, etc.
Current implications of water on your key commodities/raw materials	Relevant, included	Materiality analysis for IBERDROLA by KPMG in 2013 has reflected a low risk associated with the supply of water (5% of significance).
Current status of ecosystems and habitats at a local level	Relevant, included	Collection and discharges during 2013 were within the limits indicated by the relevant environmental permit, no anomalies were detected that could materially affect water resources or related habitats. Our activities can even be beneficial for the ecosystem. This is the case of Altamira plants in Mexico, which discharge into the Garrapatas estuary, allowing it to recover its salinity and thus the specific characteristics of this habitat and the species of fauna and flora adapted thereto.
Estimates of future changes in water availability at a local level	Relevant, included	IBERDROLA DOES NOT have any plant located in any area considered Water Stressed but we are aware of all areas suffering this problem. Anyway, IBERDROLA has a tool for developing water maps for all of each plants, available to its users and all the information regarding disclosure of the water strategy of the Company, is published in the the Water CEO Mandate webpage.
Estimates of future potential regulatory changes at a local level	Relevant, included	IBERDROLA is acquainted with concerns and proposals of regulatory entities and puts forward its own opinions in legitimate defence of its interests and those of its shareholders, customers and users. It actively participates in public hearings by regulatory entities to ascertain opinions of the players involved in the processes, and in official processes of enactment of laws and regulations and monitoring of its application.
Estimates of future potential stakeholder conflicts at a local level	Relevant, included	Consultations and permits with the potential population and regular meeting with local authorities are held.
Estimates of future implications of water on your key commodities/raw materials	Relevant, included	Despite having large water storage capacity, our results depend significantly on the flow contributions. Changes in output with respect to the average value can be up to -4,000GWh in a dry year and +5,000GWh in a wet year, with dry years being more likely than wet years. The variability would be between € -125/+100 million.
Estimates of future potential	Relevant,	Most of the energy infrastructure projects are submitted an environmental impact assessments. In Spain,



Issues	Choose option	Please explain
changes in the status of ecosystems and habitats at a local level	included	together with the University of Salamanca, IBERDORLA promotes the development of methods to measure and financially value the eco-systemic services provided by the construction of hydroelectric infrastructure. As an example, the EMBECO project: an ecological study of the Villalcampo and Castro dams.
Scenario analysis of availability of sufficient quantity and quality of water relevant for your operations at a local level	Relevant, included	The availability of water is critical to ensure a good quality of life of the population where our Company carries on its business, which is directly related to local generation and energy supply security. Climate changes can have an effect on greater or lesser availability of water resources for energy generation.
Scenario analysis of regulatory and/or tariff changes at a local level	Relevant, included	IBERDROLA also participates in the regulatory process through domestic and international trade associations. Particularly significant are Unesa (Spain) and Eurelectric (Europe). We have also presence in forums and organisations that engage in discussions and research on regulatory matters. IBERDROLA is also involved in some lobbying activities. In February 2012, IBERDROLA registered within the Transparency Register, created by European institutions.
Scenario analysis of stakeholder conflicts concerning water resources at a local level	Relevant, included	Impact studies, public consultations and work with stakeholders are performed at the majority of projects to keep the environmental impact as low as possible. By considering broad social and environmental issues in our daily decision-making we are more likely to achieve our goals. Delivering through this approach ensures we bring benefits to customers, employees, communities and the environment.
Scenario analysis of implications of water on your key commodities/raw materials	Relevant, included	Despite having large water storage capacity, our results depend significantly on the flow contributions. Changes in output with respect to the average value can be up to -4,000GWh in a dry year and +5,000GWh in a wet year, with dry years being more likely than wet years. The variability would be between € -125/+100 million.
Scenario analysis of potential changes in the status of ecosystems and habitats at a local level	Relevant, included	As an example, IBERDROLA USA is working with landowners in two rustic river basins. These activities include pretreating run-off water from impermeable sectors of the basin before it enters the river. The aim is to improve water quality and enhance the aquatic and riverbank habitats. Various erosion control measures are being employed such as removable matting for the passage of excavators. This reduces the biodiversity impacts of facilities sited on wetlands and bodies of water.
Other		

**W2.4a**

**Which of the following stakeholders are always factored into your organization's water risk assessments?**

Stakeholder	Choose option	Please explain
Customers	Relevant, included	With IBERDROLA 's commitment with society, we are developing awareness campaigns on saving and water use efficiency. For instance, in 2013 water improvement and repurposing projects have been carried out and several "Energy Classrooms" that offer educational space to the public have been opened. The Company has also made some Campaigns in order to arising awareness given some tips related to water use such as, tips related to Washing Machine and Tumble Dryer and also Dishwasher.
Employees	Relevant, included	IBERDROLA uses social media as an effective tool to sensitize both its employees and society. In 2013, news were published on its internal page, on the website against climate change ( <a href="http://www.togetheragainstclimatechange.com/en/">http://www.togetheragainstclimatechange.com/en/</a> ) and in the Company's blog ( <a href="http://www.blog.iberdrola.com/en/blog/hidden-servicesprovided-by-reservoirs/">http://www.blog.iberdrola.com/en/blog/hidden-servicesprovided-by-reservoirs/</a> ) that demonstrates our interest and commitment.
Investors	Relevant, included	IBERDROLA supports transparency regarding water strategy of the company. Signatory of the Global Round Table on Climate Change. In March 2012 the Water CEO Mandate was signed. The Company covers from the first year of its creation the questionnaire CDP Water and all 2013 information is published in the the Water CEO Mandate webpage, available for everyone. ( <a href="http://ceowatermandate.org/files/endorsing/IberdrolaCDP2013.pdf">http://ceowatermandate.org/files/endorsing/IberdrolaCDP2013.pdf</a> ) .
Local communities	Relevant, included	An example:installation of systems for capturing and storing rainwater for human consumption in the area around the Caetit� windfarm in inland Bahia (Brazil).This initiative will supply water to over 3,300 homes that currently have no connection to the general water system, and no access to any type of storage resource.IBERDROLA and NEOENERGIA will work on this project with the Brazilian Ministry for Social Development and the Fight against Hunger (MDS) as part of the Water for All programme.
NGOs	Relevant, included	Prior to the official start of any procedural phase for project under development, IBERDROLA sends a project memorandum to a large group of NGOs that might have an interest in it. as an example of collaboration with NGOs, IBERDROLA participates in threatened species-conservation projects. The company Celpe backs Brazil's Sea Turtle Conservation Programme, which seeks to protect sea turtles by generating economically sustainable alternatives.
Other water users at a local level	Relevant, included	Termopernambuco thermal power plant runs an R&D+i programme,the following environmental projects are particularly noteworthy: development and implementation of artificial reefs near the plant to recover the habitat and fishing resources intended for local fishermen; and development of a biodegradable oil for the hydraulic systems in hydroelectric plants to prevent environmental damage caused by oil spilling into water.
Regulators at a local level	Relevant, included	During the period of construction and operation of its production and distribution facilities, IBERDROLA carries out certain infrastructure activities that are unrelated to its facilities and without a specific commercial purpose, but that are intended to meet the needs of the social environment, resolving needs in neighboring communities. For this purpose, IBERDROLA cooperates with local authorities, with which it establishes agreements to carry out various types of public service activities.
Statutory special interest groups at a local level	Relevant, included	Examples in 2013:Participation and collaboration in application of prevention measures to avoid Mejill�n Cebra propagation (Ebro Hydrographi Confederation Water Department, Spain).Requested materials necessary for circulating water from deep well in the Community "Cuixcuatitla" are provided Tamazunchale (M�xico) In the Hydraulic Generation field.
Suppliers	Relevant,	IBERDROLA tries to act as reference in water management for all its contractors and suppliers.There are commitments in

Stakeholder	Choose option	Please explain
	included	the Purchasing area to foster environmental responsibility and promote strict compliance by suppliers with contractual conditions and current legislation, with particular emphasis on respect for the principles established in the United Nations Global Compact. IBERDROLA's Procurement Division has a Global Supplier Management Model. None of our suppliers is exposed to water-related.
Water utilities/suppliers at a local level	Relevant, included	Water related risk are managed through quality processes and periodic audits. Measures adopted to promote proper environmental behaviour of suppliers are based on the Procurement Policy, the Suppliers' Code of Ethics, and the specific environmental clauses in the contracting terms of the Group. Subsequently, during the supply stage, the business units monitor the environmental performance of the supplier during the term of the contract. No supplier with negative environmental impact has been detected.
Other		

## W2.5

**Do you require your key suppliers to report on their water use, risks and management?**

Yes

## W2.5a

**Please provide the proportion of key suppliers you require to report on their water use, risks and management and the proportion of your procurement spend this represents**

Proportion of key suppliers %	Total procurement spend %	Rationale for this coverage
76-100	51-75	In 2013, 75% of the suppliers contracts (4% more than 2012), were made to suppliers with certified environmental management systems. None of our suppliers are located in water-stressed areas.

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W2.5b

Please choose the option that best explains why you do not require your key suppliers to report on their water use, risks and management

Primary reason	Please explain
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Further Information

**Module: Implications**

**Page: W3. Water Risks**

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W3.1

**Is your organization exposed to water risks, either current and/or future, that could generate a substantive change in your business, operations, revenue or expenditure?**

Yes, direct operations and supply chain

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W3.2

**Please provide details as to how your organization defines substantive change in your business, operations, revenue or expenditure from water risk**

Liberalised business (including electricity generation) accounted for 23% of IBERDROLA's EBITDA in 2013. Hydropower generation accounted for 22% of the total. 1,500 MW of new hydropower generation will be developed and will enter into operation during the years 2015 and 2016, in Spain and Brazil.

Substantive changes are defined as those events with potential impacts in IBERDROLA Group's EBITDA (decrease or increase of 5% of EBITDA).

**W3.2a**

Please complete the table below providing information as to the number of facilities in your direct operations exposed to water risks that could generate a substantive change in your business, operations, revenue or expenditure. Please also provide either the proportion of cost of goods sold, global revenue or global production capacity that could be affected across your entire organization at the river basin level

Country	River basin	Number of facilities within the river basin exposed to water risk	Reporting metric	Proportion of chosen metric that could be affected within the river basin
Spain	Duero	6	% global production capacity	1-5
Spain	Tejo	6	% global production capacity	6-10
Spain	Jucar	3	% global production capacity	1-5
Brazil	Other: Different rivers in Bahia, Goias, Mato grosso	10	% global production capacity	Less than 1%
United Kingdom	Other: Cruachan	3	% global production capacity	Less than 1%
United States of America	Other: New York	5	% global production capacity	Less than 1%

**W3.2b**

Please list the inherent water risks that could generate a substantive change in your business, operations, revenue or expenditure, the potential impact to your direct operations and the strategies to mitigate them

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
United States of America	Other: All river basins where IBERDROLA is located	Physical-Flooding	Closure of operations	This is not a relevant risk for IBERDROLA nowadays, because of the location of our facilities. Future floods may affect the operation of power stations, including the hydro capacity available leading to different global operational costs and stop for maintenance. It may also put electricity substations at risk.	1-3 years	Unlikely	Low-medium	Infrastructure maintenance	Medium	Depending on the availability of water, climatic variation has the potential to impact our hydro operations, cooling requirements of thermal power stations, thermal efficiencies of our power plant, patterns of energy load growth and the robustness of our transmission and distribution infrastructure in response to more extreme weather variations. IBERDROLA has developed a very strong awareness of the physical risks associated with water availability. The assessment of risk is an ongoing activity, which is developed at various levels of risk control within

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										<p>the company. The risks are informed by individual assessment, industry experience and assistance from various expert groupings. For instance, the restoration and support efforts in the aftermath of Hurricane Sandy made by Iberdrola USA subsidiaries Central Maine Power (CMP), NYSEG and RG&amp;E is clear example of best practice during emergency situations produced by climate disasters. The three utilities amassed more than 6,000 people to handle a cumulative total of nearly 500,000 electric service interruptions spread across Maine and New York. Once their own</p>

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										customers had been restored, the companies released nearly 1,800 line, bucket, pole-setting, digger, tree, gas and supervisory employees and contract workers to assist National Grid (LIPA), Consolidated Edison, Connecticut Light & Power and FirstEnergy utilities. NYSEG also supplied poles, transformers and natural gas regulators to ConEd for their restoration efforts in New York City.
Spain	Other: All river basins where IBERDROLA is located	Regulatory- Poor enforcement of water regulation	Brand damage	Nowadays, financial crisis has taken first importance in the political scenario; new policies on climate change and nuclear generation (after Fukushima) are uncertain. Changes in regulations with less requirements may	1-3 years	Probable	Medium	Engagement with public policy makers	Medium	In relation to the insurance cover, Iberdrola has international insurance programmes to cover equity (insurance for material damages,



Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
				affect the IBERDROLA Group's business as soon as other companies with lower financial, social and environmental commitment may gain competitive advantage reducing the Group's turnover. It can also lead to an increase in our insurance premiums.						machinery breakdowns, loss of profits, damages from natural disasters and risks arising from construction work) and third-party liabilities (general civil liability, liability for environmental risks, professional civil liability, etc.).
Brazil	Other: All river basins where IBERDROLA is located	Reputational- Inadequate access to water, sanitation and hygiene	Brand damage	Access to water resources and sanitation is essential for the development of any population and business. The risk of difficult access in the future long-term, can damage directly to the production on the overall mix of our Company, any risks associated with the production, possible investments and its image.	4-6 years	Unlikely	Low-medium	Engagement with customers	Low-medium	The materiality analysis for IBERDROLA has reflected a low risk associated with the supply of water (5% of significance for IBERDROLA). IBERDROLA's has installed systems for capturing and storing rainwater for human consumption in the area around the Caetité windfarm in inland Bahia (Brazil). This initiative will supply water to over 3,300

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										homes that currently have no connection to the general water system, and no access to any type of storage resource. IBERDROLA and NEOENERGIA will work on this project with the Brazilian Ministry for Social Development and the Fight against Hunger (MDS) as part of the Water for All programme.
Mexico	Other: All river basins where IBERDROLA is located	Other: Poor water quality	Higher operating costs	Independent separation networks are used for industrial and sanitary water. The latter is subjected to final treatment in biodigesters, whereas process water goes through hydrocarbon separators before its return to the natural medium. La Laguna plant collects sewage for its processes, and the water discharged by this plant has better quality than the collected	>6 years	Unlikely	Low-medium	Increased investment in new technology	Low-medium	The principal water withdrawn within the Group's activities takes place in the cooling systems, processes and standby services for the thermal generation plants. Most of the water is returned to the environment, partly as evaporated water and the rest

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
				water. Main plants affected: Monterrey, Altamira, La Laguna, Golfo, Tamazunchale.					included in discharges from the facilities. In all our plants, water is discharged under constant monitoring of various parameters (temperature, turbidity, conductivity, etc.) by the Company and the Administration, to make sure that the characteristics of the effluent are always below the established limits. For instance, all the thermal power-generation plants in Spain have treatment systems that treat residual water before discharging it into the natural receptor environment. Water from the process undergoes physicochemical treatment, which includes the	

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										<p>separation of hydrocarbons. Wastewater is treated in compact treatment systems with biological aerobic processes. As regards the treatment of discharges, at the Velilla thermal plant in Spain, biological treatment for desulphurisation commenced in April 2012 at the Effluents Treatment Plant, to reduce nitrides and nitrates in the discharge. An exhaustive inspection was performed of the water used in the direct production process at the Cofrentes nuclear power plant. All of the effluents from the water-steam cycle, from the reactor coolants, and from the standby systems</p>

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										are processed in the liquid waste treatment system and are returned to the cycle for reuse.
Spain	Other: All river basins where IBERDROLA is located	Physical-Declining water quality	Higher operating costs	Access to water resources is essential to the development of any population and business. Even if IBERDROLA's facilities are located in an excellent strategic position not being object of water risk in the short term, we are aware that pollution and poor water quality could lead to a possible damage to plants, reducing production, increasing the stops for maintenance or even close.	4-6 years	Probable	Low-medium	Increased investment in new technology	Medium	All the thermal power-generation plants in Spain have treatment systems that treat residual water before discharging it into the natural receptor environment. Water from the process undergoes physicochemical treatment, which includes the separation of hydrocarbons. Wastewater is treated in compact treatment systems with biological aerobic processes. As regards the treatment of discharges, at the Velilla thermal plant in Spain, biological treatment for

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										desulphurisation commenced in April 2012 at the Effluents Treatment Plant, to reduce nitrides and nitrates in the discharge. An exhaustive inspection was performed of the water used in the direct production process at the Cofrentes nuclear power plant. All of the effluents from the water-steam cycle, from the reactor coolants, and from the standby systems are processed in the liquid waste treatment system and are returned to the cycle for reuse.
United Kingdom	Other: All river basins where IBERDROLA is located	Physical-Projected water scarcity	Constraint to future growth	Given the importance of hydropower generation for IBERDROLA, a decrease in rainfall would have a negative effect on the overall mix of the company. IBERDROLA is likely to	>6 years	Unlikely	Medium	Infrastructure investment	Medium	IBERDROLA's facilities are located in an excellent strategic position not being object of physical risk in the short term. In

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
				<p>adjust investment and maintenance strategies. For our thermal plants, the operation of stations may be impacted via temperature changes to the coolants used to manage the steam production, waste and by product heat. This may require re-calibration of certain plan operations.</p>						<p>existing facilities the critical elements are being reinforced, and physical security requirement is a priority element considered in the construction of the new facilities. The Group is aware of future scarcity problems, especially fresh water for population and ecosystems. No situations were recorded during financial year 2013 that significantly affect water resources or the habitats associated with the water-collection points, which are for the most part significant masses of fresh water or salt-water. During 2013, 78.6 % of the water captured is salt-water or brackish water and does not</p>

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										<p>occur in protected areas. As we stated before, IBERDROLA has developed a very strong awareness of the physical risks associated with water availability. In the UK, the company is working with Government (DEFRA – Department of Environment, Food and Rural Affairs) to develop plans for resilience, flooding and adaptation for the industry. Our key assets need to have adaptation and resilience plans ascribed to them. Various Materiality Studies have been carried out in recent years, which consist of reviewing various external sources that may reasonably reflect the issues regarded as more significant</p>



Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										<p>by the various stakeholders in connection with the Company's activities. The result of these studies allows IBERDROLA to improve its performance. The last materiality analysis done for IBERDROLA has reflected a low risk associated with the supply of water (5% of significance for IBERDROLA). However, IBERDROLA tries to focus its efforts to solve problems which could arise since stakeholders attach significance to reduction and performance targets in various environmental areas, such as emissions, water consumption, waste generation, etc., and pay special attention to</p>

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										efficiency in the management of resources and to the external verification of emissions data.
Spain	Other: All river basins where IBERDROLA is located	Regulatory-Higher water prices	Higher operating costs	Increase of operational costs due to the possible imposition of new taxes for using water, with the corresponding increase in the cost of the energy.	1-3 years	Unlikely	Medium	Water management incentives	Medium	The principal water capture to carry out the Group's activities takes place in the cooling systems, processes and standby services for the thermal generation plants. Consumption of water in relation to global production (m3/GWh) has changed the downward trend of recent years due to the increase in coal and nuclear thermal production and the decrease in production with gas combined cycles and hydroelectric plants. IBERDROLA, as a leader company in

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										<p>low emissions technologies has a long-term industrial project which is sound, profitable and creates value, rooted in a strategy of sustainable growth, and by working every day to offer more respectful energy sources, where the reduction of water consumption is a fundamental issue. At the corporate level, we track and monitor the following statements at a local level: estimation of future potential regulatory changes and Scenario analysis with potential impact of regulatory or tariff changes on operations. Company's comprehensive risk system, which is certified in</p>

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										<p>accordance with the UNE-EN-ISO 9001:2000 standard, and which takes into account the principal environmental risks at the Group level, covers all of the Company's activities and business units, including affiliates over which the Company has effective control. Related to the identification of Water Stressed areas, the Company combine the WRI definition of Water Stressed areas, which indentify this place as a water supply less than 1700 m3 per capita and year, based on the 'Falkenmark indicator' or 'water stress index'. Toward</p>

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										FAO/AQUASAT database IBERDROLA identifies whether the countries where the Company has facilities could possible be classified as a Water Stressed area. This method allows confirming that the Company does not have any facility or revenue located in Water Stressed areas. In this regards risk caused by possible location in Water Stressed areas in the short term is not a problem for the Company.
Spain	Other: All river basins where IBERDROLA is located	Regulatory-Increased difficulty in obtaining operations permit	Constraint to future growth	Tightening on regulations and standards will require the Company to invest in complying with high environmental impact studies,obtaining licences,permits and other mandatory authorisations.Operational	Current-up to 1 year	Probable	Medium	Engagement with public policy makers	Medium	In order to prevent any impact, IBERDROLA relies on transparency and environmental management systems.100% IBERDROLA hydro generation facilities

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
				impacts related to disruptions in business operations will increase due to more environmental restrictions to new plants. IBERDROLA may be subject to legal claims for future damages, or penalties derived from waste, emissions, or spillages which might affect the Group's image and reputation.						in Spain are under ISO 14000 System: minimising environmental risks, thus improving the Company's environmental management in line with its commitment to environmental protection.
United Kingdom	Other: All river basins where IBERDROLA is located	Regulatory-Regulatory uncertainty	Constraint to future growth	The development of the European Water Framework Directive could cause disruptions in business operations, it is the water legislation to be produced by the European Commission, a set of guidelines for managing large bodies of water, improving water quality and reducing potential hazards such as flooding. Each member state planning to protect and improve rivers, lakes and coastal waters, to prevent flooding and manage droughts.	1-3 years	Probable	Medium	Engagement with public policy makers	Medium	In the UK this includes River Basin Management Plans for distinct areas, which were published in December 2009. We are engaged with regulatory bodies and continue to work through assessment arrangements for implementation of measures arising from the WFD.
Spain	Other: All	Other:	Brand	IBERDROLA believes that	>6 years	Probable	Medium	Engagement	Medium	IBERDROLA has

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
	river basins where IBERDROLA is located	Reputational Damage	damage	the strategy commitment with environment and society has benefits achieving higher brand recognition and improving its corporate reputation. Any company's involvement and management of crisis situations could have a damaging effect on reputation.				nt with customers		developed a general System on Stakeholder Engagement, to control reputation risks. There is a Reputation Committee, internal body chaired by the Director of Corporate Resources, in order to coordinate and monitor the reputational and corporate responsibility issues in the IBERDROLA Group. The Board of Directors created a Corporate Social Responsibility Committee (within the Board) in 2010. IBERDROLA, member of the Spanish-based Corporate Reputation Forum, from 2005/2006 implemented the REPTRAK tool in conjunction with the Reputation Institute

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										<p>and other members of the Forum, using REPTRAK to obtain information on the impact of its social contributions. . Each quarter, this econometric model measures general public opinion on the corporate reputation of IBERDROLA, competitors and other companies. The REPTRAK tool studies 26 attributes relating to a company's corporate reputation. These attributes are classified under seven dimensions, one is "citizenship" with three attributes which are analysed regularly: 1) Contributes positively to society; 2) Supports social causes and 3) Protects the environment.</p>



Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
Spain	Other: All river basins where IBERDROLA is located	Physical-Inadequate infrastructure	Higher operating costs	Problems associated with poor infrastructures may cause direct decrease in the IBERDROLA's production efficiency, increasing the frequency of shutdowns and maintenance, causing an increase in water consumption and the need of greater investment to get the same production, which lead to increase energy prices.	Current-up to 1 year	Probable	Medium	Increased investment in new technology	Medium	The principal water capture to carry out the Group's activities takes place in the cooling systems, processes and standby services for the thermal generation plants. IBERDROLA is implementing the best available technology to improve the collection and reduce water consumption at all its plants worldwide, such as reusing waste water, capturing rainwater and improving process efficiency. At La Laguna and Monterrey combined cycle plants in Mexico and Klamath cogeneration plant in the United States, a system has been designed

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										for reusing water from the pool, at the Veilla plant, there was a complete overhaul of the water treatment plant and automation thereof within the plant's control system, and the final flow meter control for water discharges was replaced by one with lower maintenance and easier calibration. It should be also noted that half of ScottishPower's wind farms have rooftop rainwater collectors and storage tanks to use the water at the control buildings.
Spain	Other: All river basins where IBERDROLA is located	Physical-Increased water scarcity	Other: Loss of profit	Despite having a large water storage capacity, IBERDROLA's results depend significantly on the flow contributions. The changes in output with respect to the average	1-3 years	Probable	Medium-high	Water management incentives	Medium	Although the effect depends on the time of year in which the rains occur, and many other physical parameters of the

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
				value can be up to -4,000,000 MWh in a dry year and +5,000,000 MWh in a wet year, with dry years being more likely than wet years.						facilities, considering the high inverse correlation between the water availability and the price of electricity, the variability would be between EUR -125/+100 million. The lost profit would not be covered as it is considered an risk inherent to IBERDROLA.

W3.2c

Please list the inherent risks that could generate a substantive change in your business operations, revenue or expenditure, the potential impact to your supply chain and the strategies to mitigate them

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
Spain	Other: All river basins where IBERDROLA is located	Regulatory-Changed product standards	Higher operating costs	As a consequence of the fulfilment of future new standards by the suppliers and the facilities adaptation to these new raw materials may increase operational costs.	>6 years	Unlikely	Low-medium	Increased investment in new technology	Low-medium	IBERDROLA is committed to research, development and innovation, which are strategic variables for confronting the challenges facing the Company. In this regards we are in a continuous improvement to adapt all our facilities by implementation of an innovative management and technology strategy over the last decade, which has led us to become a world leader and benchmark in R&D, thanks to the successful implementation of a common model in all areas, collaboration with our technology providers and the promotion of culture of innovation. We are

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										committed to increasing the utilization of diverse businesses for our procurement needs. We value building strong relationships with our diverse suppliers; these relationships give us the competitive advantage as being one of the best in the utility market. Through our efforts, we are able to seek out suppliers who are capable of providing the best service in terms of cost, quality and delivery. Please find attached the IBERDROLA's Supplier Contracting and Relationship Policy.
Spain	Other: All river basins where IBERDROLA	Other: Reputational Damage	Brand damage	Our company can be involved in a problem of a	>6 years	Unlikely	Low-medium	Engagement with suppliers	Low-medium	IBERDROLA has developed a GLOBAL SUPPLIER

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
	is located			supplier, despite being totally outside them. This may result in a damage on the image and reputation of the Group, and finally in a reduction in capital availability.						MANAGEMENT MODEL (including a Total Supplier Management System) that enables the company to register and classify its suppliers. Tenders by IBERDROLA include contractual conditions requiring that the parties act within stringent levels of security, occupational risk prevention, and respect for the environment. Once the suppliers have registered in our Global Suppliers Management System, suppliers are evaluated on the basis of their technical and production capabilities, among other things, and their status in the following areas is weighted: - Quality - Safety and

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										<p>occupational risk prevention - Environment - Social Responsibility - Economic and financial condition - Prior references - Anti-bribery &amp; Corruption assessment. The status of suppliers as regards sustainability, the first four areas mentioned above, has a weight of 40% in the total score. To improve the status of suppliers with a lesser performance in this area, involvement, awareness-raising and motivation activities are conducted throughout the year, in order for suppliers to achieve certification in quality, the environment and/or</p>

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										occupational risk prevention.
Spain	Other: All river basins where IBERDROLA is located	Reputational-Litigation	Fines/penalties	Increased operational cost in order to pay possible fines to respond for the supplier in civil or criminal jurisdiction.	>6 years	Probable	Medium	Engagement with suppliers	Medium	Suppliers are assessed taking into account their technical and production capacity, amongst other criteria, and their credentials are weighted in the following areas: • Quality • Safety and occupational risk prevention • Environment • Social responsibility • Economic financial situation • Anti-bribery & Corruption assessment. The concept of responsible procurement, which means that goods and services must be produced or delivered in line with the aims of environmental sustainability and social justice, is



Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										present in contracts with suppliers. We continue to use our purchasing power to achieve win-win solutions by building supply chains that provide responsibly sourced products and services and balance the benefits of globalisation with the health of our local and national economies. During financial year 2013, there were no human-rights problems discovered with suppliers.
Spain	Other: All river basins where IBERDROLA is located	Physical-Flooding	Higher operating costs	Increased operational cost related to important materials for ongoing business operation.	>6 years	Unlikely	Medium	Infrastructure maintenance	Medium	Environmental Corporate Department has included, as part of the Environmental Scorecard of the Group, the most important operational risks per region and business to get an

Country	River basin	Risk driver	Potential impact	Description of impact	Timeframe	Likelihood	Magnitude of potential financial impact	Response strategy	Costs of response strategy	Details of strategy and costs
										overall view and to raise coordinated actions plans if needed. IBERDROLA, by supporting environmental certification of their suppliers, makes possible to minimize the risk of natural disasters including floods. Moreover, to minimise the impact of possible incidents, insurance policies are contracted.

W3.2d

Please choose the option that best explains why you do not consider your organization to be exposed to water risks in your direct operations that could generate a substantive change in your business, operations, revenue or expenditure

Primary reason	Please explain
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W3.2e

Please choose the option that best explains why you do not consider your organization to be exposed to water risks in your supply chain that could generate a substantive change in your business, operations, revenue or expenditure

Primary reason	Please explain
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W3.2f

Please choose the option that best explains why you do not know if your organization is exposed to water risks that could generate a substantive change in your business operations, revenue or expenditure and discuss any future plans you have to assess this

Primary reason	Future plans
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**Further Information**

**Page: W4. Water Opportunities**

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W4.1

**Does water present strategic, operational or market opportunities that substantively benefit/have the potential to benefit your organization?**

Yes

W4.1a

Please describe the opportunities water presents to your organization and your strategies to realize them

Country or region	Opportunity	Strategy to realize opportunity	Estimated timeframe	Please explain
Spain	Cost savings	Due to the increase of hydraulic production capacity as consequence of physical changes (increased of rainfall patterns), costs savings could be experimented. Hydraulic production is cheaper than others, such as thermal and cogeneration production, not only for the operational cost but also for the cost of CO2 rights.	>6 years	IBERDROLA has an installed capacity of 306 MW in mini hydro plants. This capacity includes 176 MW under the Ordinary Production Regime for electrical energy and the rest under the terms of the Special Regime.
Portugal	Cost savings	Due to the increase of hydraulic production capacity as consequence of physical changes (increased of rainfall patterns), costs savings could be experimented. Hydraulic production is cheaper than others, such as, thermal and cogeneration production, not only for the operational cost but also for the cost of CO2 rights.	>6 years	In 2008, an agreement was signed with the Portuguese Government for the construction of the Tâmega river hydroelectric complex, one of the largest to be built in Europe in the past 25 years, with 1,054 MW in capacity.
Botswana	Cost savings	Due to the increase of hydraulic production capacity as consequence of physical changes (increased of rainfall patterns), costs savings could be experimented. Hydraulic production is cheaper than others, such as, thermal and cogeneration production, not only for the operational cost but also for the cost of CO2 rights.	>6 years	In Brazil IBERDROLA has a 39% interest in Neoenergia, the largest distributor in north-eastern Brazil, with the largest number of customers in the country (30 million customers and 8.8 million supply points). It is also developing major hydro projects in the country, notably Telepires (900MW), Baixo Iguaçu and Belo Monte (1500 MW) development.
United Kingdom	Cost savings	Due to reducing water use and the need for discharge permits as a consequence of operational efficiency, re-use waste water, and rainwater collection costs savings could be experimented.	Current-up to 1 year	In Daldowie Sludge Processing Plant, the effluent, previously treated and filtered, is recycled for use in its manufacturing processes. In the United Kingdom, the Rye House combined cycle power station can reduce up to 75 % of water use through a rainwater collection system which, after being treated, is used as process water. Half of ScottishPower's wind

Country or region	Opportunity	Strategy to realize opportunity	Estimated timeframe	Please explain
				farms have rooftop rainwater collectors and storage tanks to use the water at the control buildings.
Mexico	Cost savings	Due to reducing water use and the need for discharge permits as a consequence of operational efficiency, re-use waste water, costs savings could be experimented.	Current-up to 1 year	At the Klamath plant in the United States of America, 92.7 % of treated wastewater was used for all of its processes.
United States of America	Cost savings	Due to reducing water use and the need for discharge permits as a consequence of operational efficiency, re-use waste water, costs savings could be experimented.	Current-up to 1 year	The reuse of wastewater for the cooling systems of some plants in Mexico (Monterrey, La Laguna) is noteworthy. At the La Laguna plant, all water withdrawn is wastewater, which is filtered at the facility.
Spain	Cost savings	Due to reducing water use and the need for discharge permits as a consequence of operational efficiency, costs savings could be experimented.	Current-up to 1 year	At Tarragona Power CCGT, part of the water collected is reused as steam, supplying calorific energy (5.297 GWh), used for industrial processes or heating systems. At Escombreras CCGT, there has been a reduction in the consumption of potable water at the demineralised water treatment plant, reusing industrial effluents generated by the plant, 11,6% of industrial effluents were recovered as compared to the potable water consumed, with a reduction of 531 m3.
Company-wide	Increased brand value	Improve image due to IBERDROLA's water-related actions.	1-3 years	IBERDROLA promotes the transparency of its actions through the EMAS. IBERDROLA is signatory of the Global Round Table on Climate Change and the CEO Water Mandate. Information on water strategy through CDP Water is published in the Water CEO Mandate webpage. No situations were recorded during 2013 that significantly affect water resources or the habitats associated with the water-collection points. 78,6% of captured water is seawater or saltwater and does not occur in protected areas.
Company-wide	Other: Positive impacts of electricity generation	Activities related to the electricity generation, where hydraulic plants have a key role, have the potential to have the most significant indirect impact, and the studies and analysis to identify such impacts takes place during the governmental process for approval by the competent bodies, normally during the environmental impact studies.	4-6 years	Electricity facilities are built in dispersed geographic locations, often in depressed areas. This generates economic activity, boosting the regional economy and generates significant employment. In addition, it strengthens the development of the related infrastructure, especially in rural areas, and results in improvements to port infrastructure. Electricity activity generates taxes, tributes, and levies and allows for the generation of significant income.
Mexico	Improved water	At Dulces Nombres combined cycle plant uses	Current-up	During 2013, Dulces Nombres combined cycle plant was

Country or region	Opportunity	Strategy to realize opportunity	Estimated timeframe	Please explain
	efficiency	treated wastewater in its operations.	to 1 year	recognised by the public institution Servicios de Agua y Drenaje de Monterrey (SADMON) due to its work with treated wastewater. It was pioneer in the use of this kind of water.

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W4.1b

Please choose the option that best explains why water does not present your organization with any opportunities that have the potential to provide substantive benefit

Primary reason	Please explain
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W4.1c

Please choose the option that best explains why you do not know if water presents your organization with any opportunities that have the potential to provide substantive benefit

Primary reason	Please explain
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Further Information

**Module: Accounting**

W5.1

Please report the total withdrawal, discharge, consumption and recycled water volumes across your operations for the reporting period

Water use	Quantity (megaliters)
Total volume of water withdrawn	3065875
Total volume of water discharged	2932752
Total volume of water consumed	133120
Total volume of recycled water used	1919569

W5.2

For those facilities exposed to water risks that could generate a substantive change in your business, operations, revenue or expenditure, the number of which was reported in W3.2a, please detail which of the following water aspects are regularly measured and monitored and an explanation as to why or why not

Water aspect	% of facilities	Please explain
Water withdrawals- total volumes	76-100	Maximum limits on inland water collection and consumption are established and controlled by governments, which assigns the permits. The government also establishes and controls surface level limits and ecological flows at the hydroelectric generation reservoirs. Best available practices are used so that the withdrawal and consumption of water is the minimum possible and with the least impact on the environment, trying to recycle and reuse water to the maximum.
Water withdrawals- volume by sources	76-100	Maximum limits on inland water collection and consumption are established and controlled by governments, which assigns the permits. The government also establishes and controls surface level limits and ecological flows at the hydroelectric generation reservoirs. Best available practices are used so that the withdrawal and consumption of

Water aspect	% of facilities	Please explain
		water is the minimum possible and with the least impact on the environment,trying to recycle and reuse water to the maximum.
Water discharges- total volumes	76-100	Effluents from the generating plants are treated before they are discharged into the receptor environment (i.e. the sea, reservoirs or rivers, wastewater treatment plants, etc.).These treatment plants and other facilities allow for monitoring and improving the quality of the effluents and reducing the risk of polluting discharges.
Water discharges- volume by destination	76-100	Effluents from the generating plants are treated before they are discharged into the receptor environment (i.e. the sea, reservoirs or rivers, wastewater treatment plants, etc.).These treatment plants and other facilities allow for monitoring and improving the quality of the effluents and reducing the risk of polluting discharges.
Water discharges- volume by treatment method	76-100	Effluents from the generating plants are treated before they are discharged into the receptor environment (i.e. the sea, reservoirs or rivers, wastewater treatment plants, etc.).These treatment plants and other facilities allow for monitoring and improving the quality of the effluents and reducing the risk of polluting discharges.
Water discharge quality data-quality by standard effluent parameters	76-100	Effluents from the generating plants are treated before they are discharged into the receptor environment (i.e. the sea, reservoirs or rivers, wastewater treatment plants, etc.).These treatment plants and other facilities allow for monitoring and improving the quality of the effluents and reducing the risk of polluting discharges.
Water consumption- total volume	76-100	Maximum limits on inland water collection and consumption are established and controlled by governments,which assigns the permits.The government also establishes and controls surface level limits and ecological flows at the hydroelectric generation reservoirs.Best available practices are used so that the withdrawal and consumption of water is the minimum possible and with the least impact on the environment,trying to recycle and reuse water to the maximum.
Water recycling/reuse-total volume	76-100	Maximum limits on inland water collection and consumption are established and controlled by governments,which assigns the permits.The government also establishes and controls surface level limits and ecological flows at the hydroelectric generation reservoirs.Best available practices are used so that the withdrawal and consumption of water is the minimum possible and with the least impact on the environment,trying to recycle and reuse water to the maximum.

**W5.3**

**Water withdrawals: for the reporting period, please complete the table below with water accounting data for all facilities included in your answer to W3.2a**



Facility reference number	Country	River basin	Facility name	Total water withdrawals (megaliters/year) at this facility	How does the total water withdrawals at this facility compare to the last reporting period?	Please explain the change if substantial
Facility 1	Spain	Other: All river basins where IBERDROLA is located	IBERDROLA's facilities in Spain	1119603	Much lower	CCGT power plants have operated in a lower proportion than previous years.
Facility 2	United Kingdom	Other: All river basins where IBERDROLA is located	IBERDROLA's facilities in United Kingdom	1805070	Lower	Cockenzie thermal plant did not operate from April 2013.
Facility 3	United States of America	Other: All river basins where IBERDROLA is located	IBERDROLA's facilities in the United States of America	3713	Higher	
Facility 4	Mexico	Other: All river basins where IBERDROLA is located	IBERDROLA's facilities in Mexico	54403	About the same	
Facility 5	Brazil	Other: All river basins where IBERDROLA is located	IBERDROLA's facilities in Brazil	3085	Higher	Information has been collected from some facilities for the first time in 2013.

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**Further Information**

**Page: W5. Water Accounting (II)**

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**W5.3a**

**Water withdrawals: for the reporting period, please provide withdrawal data, in megaliters per year, for the water sources used for all facilities reported in W5.3**

Facility reference number	Surface water	Groundwater (renewable)	Groundwater (non-renewable)	Municipal water	Recycled water	Produced/process water	Wastewater	Brackish/salt water
Facility 1	625525789	0	669308	1187389	0	0	122209	572097814
Facility 2	45978	0	521530	3267247	0	0	0	1801235806
Facility 3	0	0	202388	177951	0	0	3333140	0
Facility 4	8392370	0	2206	2067830	0	0	9281897	34657480
Facility 5	0	0	0	153671	0	0	0	2930607

#### W5.4

**Water discharge: for the reporting period, please provide the water accounting data for all facilities reported in W5.3**

Facility reference number	Total water discharged (megaliters/year) at this facility	How does the total water discharged at this facility compare to the last reporting period?	Please explain the change if substantive
Facility 1	1203467	Much lower	CCGT power plants have operated in a lower proportion than previous years.
Facility 2	1698538	Lower	Cockenzie thermal plant did not operate from April 2013.
Facility 3	1560	About the same	
Facility 4	28161	About the same	
Facility 5	1026	About the same	

#### W5.4a

**Water discharge: for the reporting period, please provide water discharge data, in megaliters per year, by destination for all facilities reported in W5.3**

Facility reference number	Surface water	Municipal Treatment Plant	Saltwater	Injection for production/disposal	Aquifer recharge	Storage/waste lagoon
Facility 1	630966628	119130	572381730	0	0	0
Facility 2	0	2131712	1696405741	0	0	0
Facility 3	0	1559353	0	0	0	0
Facility 4	2346414	1936672	23877142	0	0	0
Facility 5	0	89841	934795	0	0	0

#### W5.5

**Water consumption: for the reporting period, please provide water consumption data for all facilities reported in W5.3**

Facility reference number	Consumption (megaliters/year)	How does this compare to the last reporting period?	Please explain the change if substantive
Facility 1	47984100	About the same	Data estimated.We engage in activities to improve the efficient use of water.Activities at Spanish thermal plants during 2013:at Lada,a system was designed for reusing water from the pool;at Escombreras,there was a reduction in the consumption of potable water at the demineralised water treatment plant,reusing industrial effluents generated by the plant;at Tarragona Power, part of the water collected is reused as steam,supplying calorific energy used for industrial processes or heating systems.
Facility 2	106533108	Higher	Thermal production has been given in greater proportion in the facilities with a closed cooling circuit. When the thermal energy generation is higher in power stations with closed cooling circuit the water use increases as evaporated water. Even though,it should be noted that the Rye House CCGT can reduce wateruse by up to 75% through a rainwater collection system.At some of ScottishPower's wind farms,the control buildings have rooftop rainwater collectors and storage tanks to use the water.
Facility 3	2154126	Higher	Mayor producción

Facility reference number	Consumption (megaliters/year)	How does this compare to the last reporting period?	Please explain the change if substantive
Facility 4	26241555	About the same	
Facility 5	2059642	About the same	

**W5.6**

For the reporting period, please provide any available water intensity values for your organization's products or services across its operation

Country	River basin	Product name	Product unit	Water unit	Water intensity (Water unit/Product unit)	Water use type	Comment
Spain	Other: All river basins where IERDROLA is located	Electricity generated	Other: MWh	Liters	826	Water use in operations	Data estimated.
United Kingdom	Other: All river basins where IERDROLA is located	Electricity generated	Other: MWh	Liters	5344	Water use in operations	
United States of America	Other: All river basins where IERDROLA is located	Electricity generated	Other: MWh	Liters	120	Water use in operations	
Mexico	Other: All river basins where IERDROLA is located	Electricity generated	Other: MWh	Liters	748	Water use in operations	
Brazil	Other: All river basins where IERDROLA is located	Electricity generated	Other: MWh	Liters	589	Water use in operations	

**W5.7**

**For all facilities reported in W3.2a what proportion of their accounting data has been externally verified?**

<b>Water aspect</b>	<b>% verification</b>	<b>What standard was used?</b>
Water withdrawals- total volumes	76-100	KPMG verified this data according to GRI-4 and World Business Council.
Water withdrawals- volume by sources	76-100	KPMG verified this data according to GRI-4 and World Business Council.
Water discharges- total volumes	76-100	KPMG verified this data according to GRI-4 and World Business Council.
Water discharges- volume by destination	76-100	KPMG verified this data according to GRI-4 and World Business Council.
Water discharges- volume by treatment method	76-100	KPMG verified this data according to GRI-4 and World Business Council.
Water discharge quality data- quality by standard effluent parameters	76-100	KPMG verified this data according to GRI-4 and World Business Council.
Water consumption- total volume	76-100	KPMG verified this data according to GRI-4 and World Business Council.
Water recycling/reuse-total volume	76-100	KPMG verified this data according to GRI-4 and World Business Council.

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**Further Information**

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**W6.1**

**Who has the highest level of direct responsibility for water within your organization and how frequently are they briefed?**

Highest level of direct responsibility for water issues	Frequency of briefings on water issues	Comment
Individual/Sub-set of the Board or other committee appointed by the Board	Scheduled-annual	Commitment of the Board of Directors is to make the environment a strategic element. We support transparency regarding water strategy, and water performance information is disclosed in the Sustainability Report 2013. In March 2012, we endorsed the CEO Water Mandate, an initiative by the United Nations, designed to help companies in developing, implementing and disseminating sustainability policies for water management. Water strategy is in accordance with The CEO Water Mandate framework.

## W6.2

**Is water management integrated into your business strategy?**

Yes

## W6.2a

**Please choose the option(s) below that best explain how water has positively influenced your business strategy**

Influence of water on business strategy	Please explain
Establishment of sustainability goals	IBERDROLA has specific policies regarding the management of environmental issues: the Environmental Policy, the Climate Change Policy, the Biodiversity Policy and the Sustainability Policy. These policies define the specific guidelines that the IBERDROLA Group must follow both in the process of defining and developing its strategy and investments and with regard to its operations and control of environmental risks.
Introduction of water management KPIs	Since 2010 IBERDROLA has launched an Environmental Scorecard in which is displayed a set of KPIs. This scorecard is the system element determining the quality of the environmental strategy, defines the standards for the Group's environmental risk mitigation, serves to calculate the value generated by such strategy, and ultimately provides coherence to the overall system, ensuring the

Influence of water on business strategy	Please explain
	convergence of the Group's strategic goals.
Publicly demonstrated our commitment to water	IBERDROLA is an influential company and intends to boost best practices in the area of the environment, optimize management and promote the search for solutions to problems linked to the natural surroundings where water is included. In March 2012, we endorsed the CEO Water Mandate, an initiative by the United Nations, designed to help companies in developing, implementing and disseminating sustainability policies for water management. Water strategy is in accordance with The CEO Water Mandate framework.
Tighter operational performance standards	For IBERDROLA, the environmental dimension of its activities is a necessary baseline for the formulation of its Strategic Plan and the operational planning of its businesses is fostering innovation, eco-efficiency, ecodesign and a progressive reduction in the environmental impacts of its activities and in the supply chain (as WATER consumption).

**W6.2b**

**Please choose the option(s) below that best explains how water has negatively influenced your business strategy**

Influence of water on business strategy	Please explain
Other: Presence in water stressed areas	IBERDROLA is not present at water-stressed areas, so water has not negatively influenced our business strategy,

**W6.2c**

**Please choose the option that best explains why your organization does not integrate water management into its business strategy and discuss any future plans to do so**

Primary reason	Please explain
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**W6.3**

**Does your organization have a water policy that sets out clear goals and guidelines for action?**

Yes, a publicly available company-wide water policy with performance standards for direct operations including supplier, procurement and contracting best practice and acknowledges the human right to water and sanitation

**W6.4**

**How does your organization's water-related capital expenditure (CAPEX) and operating expenditure (OPEX) during the most recent reporting period compare to the previous reporting period?**

Water-related spending: % of total CAPEX during this reporting period compared to last reporting period	Water-related spending: % of total OPEX during this reporting period compared to last reporting period	Motivation for these changes
60%	20%	IBERDROLA is developing new hydropower generation plants: € 105 million in 2012 and €35 million in 2013. The rest of CAPEX includes treatment of effluents, and systems to control and avoid spills, among others. Considering OPEX: it is noteworthy the reuse of wastewater for the cooling systems of some plants in Mexico (Monterrey, La Laguna) and in the United States of America (Klamath).

**Further Information**



W7.1

Was your organization subject to any penalties and/or fines for breaches of abstraction licenses, discharge consents or other water and wastewater related regulations in the reporting period?

No

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W7.1a

Please describe the penalties and/or fines for breaches of abstraction licenses, discharge consents or other water and wastewater related regulations and your plans for resolving them

Facility name	Incident description	Financial penalty or fine	Currency	Incident resolution
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W7.1b

Please indicate the total of all penalties and/or fines for breaches of abstraction licenses, discharge consents or other water and wastewater related regulations as a percentage of total operating expenditure (OPEX) compared to last year

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Further Information

**W8.1**

**Do you have any company wide targets (quantitative) or goals (qualitative) related to water?**

Yes, targets and goals

**W8.1a**

**Please complete the following table with information on company wide quantitative targets (ongoing or reached completion during the reporting period) and an indication of progress made**

Category of target	Motivation	Description of target	Quantitative unit of measurement	Base-line year	Target year	Proportion of target achieved, % value
Other: Engagement with suppliers	Recommended sector best practice	Water management depends on both operational level and supply chain level. We try to act as reference in water management for contractors and suppliers. There are commitments in the Purchasing area to foster environmental responsibility and to promote strict compliance by suppliers with contractual conditions and current legislation, with particular emphasis on respect for the principles established in the United Nations Global Compact. In 2013, 75 % of the suppliers contracts (4 % more than 2011),	Other: % of suppliers with environmental management system	2012	2013	100%
Absolute reduction of water withdrawals	Cost savings	In the United Kingdom, the Rye House combined cycle power station can reduce water use by up to up to 75 % through a rainwater collection system which, after being treated, is used as process water. At some of ScottishPower's wind farms, the control buildings have rooftop rainwater collectors and storage tanks to use the water.	% increase in rainwater harvesting per facility	2012	2013	100%

W8.1b

Please describe any company wide qualitative goals (ongoing or reached completion during the reporting period) and your progress in achieving these

Goal	Motivation	Description of goal	Progress
Strengthen links with local community	Shared value	We are conscious about facing global problems, such as water scarcity, climate change and poverty. In this sense IBERDROLA holds continued dialogues with its stakeholders to identify which are their most important issues related to the environment with the aim of improving the Company performance and to focus on its efforts.	There are different ways of communication with the stakeholders: webpage contact, email, stakeholders' forums, etc. Moreover, various Materiality Studies have been carried out in recent years to be aware of our stakeholder's needs. The results show the issues that to some extent capture the interest of the stakeholders, as well as those issues regarded as more significant among them.
Other: Transparency	Brand value protection	IBERDROLA supports transparency regarding water strategy of the Company.	In February 2012, IBERDROLA registered within the Transparency Register, created by European institutions to give adequate transparency to the relations of such institutions with companies, NGOs, citizens' associations, think tanks, among others. Since march 2012, IBERDROLA has endorsed the CEO Water Mandate.
Increase access to Safe Water, Sanitation, and Hygiene (WASH)	Shared value	IBERDROLA notes that there is still a proportion of the population without access to safe drinking water. In addition a lack of appropriate sanitation profoundly affects the health and well-being of billions of people.	The Company, as part of its commitment to corporate social responsibility, is working in a number of countries to offer specific projects, know-how and resources. For instance, the development of the Iberdrola-Sao Paulo International Cooperation Project, to train youths at risk of social exclusion in Brazil. IBERDROLA is also a member of the Global Sustainability Electricity Partnership (GSEP), group of the world's largest and most influential power companies.
Engagement with public policy makers to advance sustainable water policies and management	Recommended sector best practice	Establish a constructive dialogue with Government Agencies, non-governmental organizations, shareholders, customers, local communities and other stakeholders in order to: 1) Work jointly in the search for solutions to environmental problems. 2) Contribute to the development of a useful public policy from the environmental standpoint	IBERDROLA puts forward its opinions in defence of its interests and those of its shareholders and customers. It also participates in public hearings held by regulatory entities to ascertain the opinions of the players involved in the processes of determination of regulations, in the official processes of enactment of

Goal	Motivation	Description of goal	Progress
		that is efficient in economic terms. 3) Raise awareness on the importance of taking measures to reduce greenhouse gases.	the laws and regulations and the monitoring of the application thereof, in domestic and international trade associations, and in some lobbying activities.
Other: Implementation of Environmental Management Systems	Risk mitigation	We aim to improve the compatibility of its infrastructures with the environment and develop a clean management system. We have a Global Environmental Management System implemented (accordance to ISO 14001:2004 standard, certified by AENOR). We also have Environmental Management Systems (EMS) specific to the businesses, based on the ISO 14001:2004 and EMAS standard, which allow for a reduction in environmental risks, improvement in the management of resources, and optimisation of investments and costs.	Global Environmental Management System implemented (according to UNE-EN ISO 14001:2004) was certified in 2006 and renewed in 2013 by AENOR. Maximum limits on the capture and consumption of fresh water are established and monitored by the government administrations of each region through the relevant governmental entities. Government establishes and controls surface level limits and ecological flows at the hydroelectric generation reservoirs.
Other: Water use	Cost savings	IBERDROLA is greatly concerned with finding savings and greater efficiency. We do not have any plant located in areas considered Water Stressed and our materiality analysis has reflected a low risk associated with the supply of water (5% of significance). According to a preventive approach, IBERDROLA aims for an optimal water use and plants follow strict environmental management authorizations and their quality is maintained due to the water treatment equipments installed.	New implementations for achieving the goal: At the La Laguna and Monterrey combined cycle plants in Mexico and at the Klamath cogeneration plant in the United States of America, the water collected for cooling comes from municipal wastewater treatment stations and is treated at the Company's plants, producing a positive impact by returning water to the environment that is of higher quality than that withdrawn..
Watershed remediation and habitat restoration, ecosystem preservation	Risk mitigation	IBERDROLA is committed to the energy, cultural and social development of the communities where it operates, where water has an essential role. Fundación IBERDROLA carries out initiatives that make an effective contribution towards enhancing people's quality of life in the territories and countries where the IBERDROLA operates, particularly in the fields of training and research, energy sustainability and biodiversity, art and culture.	No situations were recorded during 2013 that significantly affect water resources or the habitats associated with the water-collection points, which are for the most part significant masses of fresh water or salt-water. Fundación IBERDROLA relies on the following areas of activity regarding water resources: Training and Research; Sustainability and Biodiversity; and Cooperation and Solidarity.
Educate customers to help them minimize product impacts	Recommended sector best practice	According to IBERDROLA'S commitment with society, IBERDROLA is developing awareness campaigns on saving and water use efficiency.	As examples, the Company has made some campaigns in order to raise awareness given some tips related to water use such as, tips related to Washing Machine and Tumble Dryer and also Dishwasher. The main goal of these tips is to care for the environment at the same time that our consumers can also save money.
Watershed	Risk mitigation	TEVA Project for Reducing the Temperature of Thermal	Project already developed, with an investment of over

Goal	Motivation	Description of goal	Progress
remediation and habitat restoration, ecosystem preservation		Discharge in Almaraz. The cooling system of the Almaraz Nuclear Plant is semiopen, basically cooled by the Arrocampo Reservoir, which acts as its cooling circuit. The goal is to improve and optimise the capacity for cooling the temperature of the water of the Arrocampo Reservoir, in any case guaranteeing that the temperature of the discharge into the Torrejón-Tajo Reservoir does not exceed 30 °C.	€38 million. It complies with environmental legislation and has a positive repercussion on the surroundings, controlling the risk of eutrophication of the reservoirs, improving the ecologic equilibrium of the reservoir and contributing toward conserving the natural surroundings around the Plant. The area surrounding the Arrocampo reservoir and its shores are a Special Protection Area for birds (SPA).
Watershed remediation and habitat restoration, ecosystem preservation	Shared value	Disposal of ash produced by Longannet power station in UK has reclaimed 200 hectares of land from the sea, creating Valleyfield Ash Lagoons. The lagoons, 5km east of Longannet, are an important element in the make-up of the Inner Forth Estuary, internationally recognised for its value to wildlife, and covered by natural heritage designations including the Firth of Forth Ramsar site and Special Protection Area. Our biodiversity action plan ensures that Longannet works in harmony with our wildlife.	Valleyfield Lagoons were designated part of the Firth of Forth Site of Special Scientific Interest (SSSI) in 1991 and in 1996, included in the wider Torry Bay Local Nature Reserve designation. The reserve extends to 683 hectares and a Fife Coast and Countryside Trust Ranger, jointly funded by Scottish Power, Scottish Natural Heritage and Fife Council, is employed to monitor and manage its wildlife communities and liaise with members of the public.
Watershed remediation and habitat restoration, ecosystem preservation	Shared value	The grounds of Cockenzie Power Station in UK, its coalplant and ash settling lagoons provide a range of habitats that are attractive to wildlife, including woodland, meadows and wetlands.	The 120-hectare ash lagoons in Musselburgh are widely recognised as one of the best places to watch birds in Scotland. In particular, Lagoon No.8 and wader scrapes – shallow freshwater pools lined with clay built on a decommissioned area – have been included within the Firth of Forth Site of Special Scientific Interest (SSSI) in recognition of their value to birds.

W8.1c

Please explain why you do not have any water-related targets or goals and discuss any plans to develop these in the future

Further Information

**Module: Sign Off**

**Page: Sign Off**

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**W9.1**

**Please provide the following information for the person that has signed off (approved) your CDP water response**

<b>Name</b>	<b>Job title</b>	<b>Corresponding job category</b>
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**CDP**