Module: Introduction

Page: W0. Introduction

W0.1

Introduction

Please give a general description and introduction to your organization.

IBERDROLA is very proud to participate in the CDP Water Disclosure 2015 and we publish our answer in the CEO WATER MANDATE yearly. Water requires energy and energy requires water; which makes it a necessary resource for the activities of the Group. IBERDROLA's awareness regarding the sustainable use of water is a reality; it is included in one of the 5 pillars of activity within the commitment made by the Group, as reflected in the Sustainability Policy. Water is an essential resource and fundamental to IBERDROLA's business development, making the company aware of the importance of its 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 2014:

IBERDROLA's hydroelectric generation represents 15% 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. 94 % 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. 3 % of the collected water is consumed and/or retained in the various processes and 3 % is returned to the environment in the form of steam generated at the cooling systems of the thermal power plants.

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
Wed 01 Jan 2014 - Wed 31 Dec 2014

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

W0.4

Exclusions

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

Yes

W0.4a

Exclusions

Please report the exclusions in the following table

Exclusion	Please explain why you have made the exclusion
Belgium and Bulgaria	IBERDROLA only has a Group office in these countries. Activities in these countries are considered not-significant, and are not included in the sustainability boundaries. Even though, the application of the same procedures and processes as those applied within the Group is ensured, thus ensuring the guarantees as to work, basic rights, and environmental protection as derive therefrom.
Chile	IBERDROLA only has electricity production. Activities in these countries are considered not-significant, and are not included in the sustainability boundaries. Even though, the application of the same procedures and processes as those applied within the Group is ensured, thus ensuring the guarantees as to work, basic rights, and environmental protection as derive therefrom.
Austria, Belgium, The Netherlands, Czech. Rep., Romania, Sweden, and Switzerland	IBERDROLA only has electricity or gas supply and/or gas storage in these countries. Activities in these countries are considered not-significant, and are not included in the sustainability boundaries. Even though, the application of the same procedures and processes as those applied within the Group is ensured, thus ensuring the guarantees as to work, basic rights, and environmental protection as derive therefrom.
Albania, Belgium, Bulgaria, Egypt, Germany, Greece, Honduras, Hungary, Italy, Latvia, Slovakia, Switzerland, Tunisia, Ukraine, and United Arab Emirates	IBERDROLA only has engineering and construction business in these countries. Activities in these countries are considered not-significant, and are not included in the sustainability boundaries. Even though, the application of the same procedures and processes as those applied within the Group is ensured, thus ensuring the guarantees as to work, basic rights, and environmental protection as derive therefrom.
Bulgaria and Mexico	IBERDROLA only has real state business in these countries. Activities in these countries are considered not-significant, and are not included in the sustainability boundaries. Even though, the application of the same procedures and processes as those applied within the Group is ensured, thus ensuring the guarantees as to work, basic rights, and environmental protection as derive therefrom.

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	Direct use importance rating	Indirect use importance rating	Please explain
Sufficient amounts of good quality freshwater available for use	Neutral	Neutral	Each facility have on-line control of the main variables related to water information. Also, 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. The government also establishes and controls surface level limits and ecological flows at the hydroelectric generation reservoirs. Most of the withdrawn water 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.
Sufficient amounts of recycled, brackish and/or produced water available for use	Important	Important	3 % of the collected water was consumed and/or retained in the various processes. 94 % 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.

W1.2

For your total operations, please detail which of the following water aspects are regularly measured and monitored and provide an explanation as to why or why not

Water aspect	% of sites/facilities/operations	Please explain
Water withdrawals- total volumes	76-100	Within the Group´s activities, the largest volume of water collection occurs at the thermal plant cooling systems, of which a small part is consumed in the process (evaporation), the majority is returned to the natural environment, following advanced treatment to ensure its quality, whilst the remainder, is used for internal services and other processes. Continuous improvement is sought for processes of the facilities, so that the extraction and consumption of water is the minimum possible and has minimal impact on the environment. Maximum limits on inland water collection and consumption are established and controlled by governments, which assigns the relevant permits. The government also establishes 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 aspect	% of sites/facilities/operations	Please explain
Water withdrawals- volume by sources	76-100	Maximum limits on inland water collection and consumption are established and controlled by governments, which assigns the relevant 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 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	The main discharge comes from the cooling systems for the thermal generation plants. The water returned from cooling has insignificant physicochemical changes, including temperature changes. There is a thermal increase based on the difference between the water collected and the water discharged. The government establishes certain maximum allowable values for each plant based on the nature of the collection point and the discharge point (ocean, reservoir or river) and carries out monitoring. The plants continuously monitor the temperature of the discharge, and if limits are exceeded, the facility must correct the temperature or halt production.
Water discharges- volume by treatment method	76-100	Thermal generation power plants in Spain and United Kingdom have water-treatment facilities that treat the waste water before it is returned to the receiving medium (sea, dam or river). Process waters are subjected to a physical and chemical treatment that includes the separation of hydrocarbons. Sanitary water is treated at compact plants with aerobic biological processes. And facilities with coal stockpiles use a runoff treatment, i.e., a settling-coagulation process that prevents particulate or airborne coal from entering the receiving water. Once it has been treated, process and sanitary water is diluted with the water returning from the cooling system, thus ensuring that the returned water has a minimum pollutant load which does not significantly alter the physical and chemical characteristics of the receiving medium. In Latin America, independent separation networks are used for industrial and sanitary water.
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.). For example, In Spain and México, 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.
Water consumption- total volume	76-100	Water use/overall production in 2014 has been 508.98 m3 / GWh Continuous improvement is sought for processes of the facilities, so that the extraction and consumption of water is the minimum possible and has minimal impact on the environment. In addition, extraction of water is avoided in areas with water stress, and attempts are made to recycle and reuse water to the maximum extent possible. Water use is defined as the water captured, excluding seawater or saltwater and water discharged into the environment.

Water aspect	% of sites/facilities/operations	Please explain
Facilities providing fully-functioning WASH services for all workers	76-100	The health and safety of our employees is an indispensable goal of IBERDROLA, ensuring implementation of the human right to water and sanitation. This follows the UN Guiding Principles for Business and Human Rights. Nevertheless, there is significant concern for the efficient and responsible use of running water 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.

W1.2a

Water withdrawals: for the reporting year, please provide total water withdrawal data by source, across your operations

Source	Quantity (megaliters/year)	How does total water withdrawals for this source compare to the last reporting year?	Comment
Fresh surface water	676899	Much lower	18.7% lower than previous year. 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. In recent years, the replacement of less efficient production technologies such as conventional thermal generation (coal and fuel-oil) by renewables principally and combined cycles when it is required has lead to a reduction in water consumption per GWh produced.
Brackish surface water/seawater	2048351	Lower	7.3% lower than previous year. 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. In recent years, the replacement of less efficient production technologies such as conventional thermal generation (coal and fuel-oil) by

Source	Quantity (megaliters/year)	How does total water withdrawals for this source compare to the last reporting year?	Comment
			renewables principally and combined cycles when it is required has lead to a reduction in water consumption per GWh produced.
Rainwater	1	Much higher	During 2013, there was no rainwater captured. In 2014, we have captured and stored 1047 m3 of rainwater.
Groundwater - renewable	0	Not applicable	No comment.
Groundwater - non-renewable	956	Not applicable	31.4% lower than previous year. 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. In recent years, the replacement of less efficient production technologies such as conventional thermal generation (coal and fuel-oil) by renewables principally and combined cycles when it is required has lead to a reduction in water consumption per GWh produced.
Produced/process water	0	Not applicable	No comment.
Municipal supply	6029	Much lower	12% lower than previous year. 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. In recent years, the replacement of less efficient production technologies such as conventional thermal generation (coal and fuel-oil) by renewables principally and combined cycles when it is required has lead to a reduction in water consumption per GWh produced.
Wastewater from another organization	12293	Lower	3.5% lower than previous year.
Total	2744529	Much lower	10.5% lower than previous year. 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). 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. 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

Source	Quantity (megaliters/year)	How does total water withdrawals for this source compare to the last reporting year?	Comment
			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.

W1.2b

Water discharges: for the reporting year, please provide total water discharge data by destination, across your operations

Destination	Quantity (megaliters/year)	How does total water discharged to this destination compare to the last reporting year?	Comment
Fresh surface water	629880	About the same	There had not been major modifications in our operations.
Brackish surface water/seawater	2039872	About the same	2.12% higher than previous year.
Groundwater	0	Not applicable	No comment.
Municipal treatment plant	5916	Higher	1.8% higher than previous year.
Total	2675688	About the same	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

Destination	Quantity (megaliters/year)	How does total water discharged to this destination compare to the last reporting year?	Comment
			remainder is returned to the natural receptor environment, after undergoing physicochemical and thermal treatment to ensure its quality.

W1.2c

Water consumption: for the reporting year, please provide total water consumption data, across your operations

Consumption (megaliters/year)	How does this consumption figure compare to the last reporting year?	Comment
70623	Much lower	47% lower than previous year. Use of water is defined as water withdrawn minus water discharged (salt water included) into the environment. In recent years, the replacement of less efficient production technologies such as conventional thermal generation (coal and fuel-oil) by renewables principally and combined cycles when it is required has lead to a reduction in water consumption per GWh produced. The intensity of water consumption at the Group by 2014 sales was 61% less than the other utilities. In addition to seeking improvement in processes, there is significant concern for the efficient and responsible use of running water 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.

W1.3

Do you request your suppliers to report on their water use, risks and/or management?

Yes

W1.3a

Please provide the proportion of suppliers you request to report on their water use, risks and/or management and the proportion of your procurement spend this represents

Proportion of suppliers %	Total procurement spend %	Rationale for this coverage
76-100	51-75	In 2014, 76.9% of the suppliers contracts (2% more than 2013), were made to suppliers with certified environmental management systems. None of our suppliers are located in water-stressed areas.

W1.3b

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

Primary reason	Please explain

W1.4

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

No

W1.4a

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

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

W1.4b

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 year and any plans you have to investigate this in the future

Primary reason	Future plans

Further Information

Attachments

https://www.cdp.net/sites/2015/98/8698/Water 2015/Shared Documents/Attachments/Water2015/W1.Context/IA_SustainabilityReport14.pdf

Module: Risk Assessment

Page: W2. Procedures and Requirements

W2.1

Does your organization undertake a water-related risk assessment?

Water risks are assessed

W2.2

Please select the options that best describe your procedures with regard to assessing water risks

Risk assessment procedure	Coverage	Scale	Please explain
Comprehensive company-wide risk assessment	Direct operations and supply chain	All facilities and suppliers	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.

W2.3

Please state how frequently you undertake water risk assessments, what geographical scale and how far into the future you consider risks for each assessment

Frequency	Geographic scale	How far into the future are risks considered?	Comment
Annually	Facility	>6 years	Water presents local issues which need to be understood and managed, that is the reason why IBERDROLA undertake risk assessments at facilities level. The risks selected are reviewed at least on an annual basis and are managed in the mid-long term.

W2.4

Have you evaluated how water risks could affect the success (viability, constraints) of your organization's growth strategy?

Yes, evaluated over the next 10 years

W2.4a

Please explain how your organization evaluated the effects of water risks 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 (hm3) 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 led to a reduction in water consumption per GWh produced.

W2.4b

What is the main reason for not having evaluated how water risks 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

W2.5

Please state the methods used to assess water risks

Method	Please explain how these methods are used in your risk assessment
FAO/AQUASTAT Internal company knowledge Regional government databases WBCSD Global Water	IBERDROLA accepts that the environment places constraints on all human activities and is a factor of companies' competitiveness, and it is committed to promoting innovation in this field and also eco-efficiency, to gradually reducing the environmental impact of its activities, facilities, products and services, and striving to ensure that its activities' development is congruent with future generations' legitimate right to an appropriate environment. Our main water risks are water-stressed areas, where IBERDROLA has not presence. This has been evaluated using the methods selected in the previous column. Once the most significant risks have been selected, the controls needed to mitigate or manage them are selected and designed; such controls are monitored, documented, and systematically

Method	Please explain how these methods are used in your risk assessment
Tool WRI water stress definition Other: IPCC Fourth Assessment Report	reviewed by internal audit. The risks selected are reviewed at least on an annual basis, within the framework of the assessment of the effectiveness of internal control carried out by the persons or divisions responsible therefore.

W2.6

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 m3/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 affirms 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 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). This materiality analysis is still valid for 2014.
Current status of ecosystems and	Relevant,	Collection and discharges during 2014 were within the limits indicated by the relevant environmental

Issues	Choose option	Please explain
habitats at a local level	included	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.
Current river basin management plans	Relevant, included	Periodically monitoring of the state of the most sensitive reservoirs is performed, in order to ensure the quality of their water to avoid possible problems of eutrophication and thermal stratification.
Current access to fully-functioning WASH services for all employees	Relevant, included	The health and safety of our employees is an indispensable goal of IBERDROLA, ensuring implementation of the human right to water and sanitation. This follows the UN Guiding Principles for Business and Human Rights.
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 € -150/+100 million.
Estimates of future potential changes in the status of ecosystems and habitats at a local level	Relevant, included	Most of the energy infrastructure projects are subjected to an environmental impact assessments. The Company works to minimise the impact that its infrastructures may have on the land, people, companies, communities and the environment. In Spain, together with the University of Salamanca, IBERDROLA 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

Issues	Choose option	Please explain
		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 € -150/+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		

W2.7

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. The main goal of these tips is to care for the environment at the same time that our consumers can also save money.

Stakeholder	Choose option	Please explain
Employees	Relevant, included	IBERDROLA uses social media as an effective tool to sensitize both its employees and society. In 2014, news were published on its internal page, on the website against climate change (http://www.togetheragainstclimatechange.com/en/) and in the Company's blog (http://www.blog.iberdrola.com/en/blog/hidden-servicesprovided- by-reservoirs/) 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.(http://ceowatermandate.org/files/endorsing/ IberdrolaCDP2013.pdf) . This questionnaire will also be uploaded making all the 2014 information public.
Local communities	Relevant, included	Actions taken to benefit the community: improvements in communication infrastructure;water supply or roadways;public lighting;creation of employment;professional training courses;activities to support entrepreneurs, etc.An example:installation of 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 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. Fundación Iberdrola collaborates with the NGO Alianza por la Solidaridad Development in a project included in the Water and Sanitation Fund of the Spanish Agency for International Development Cooperation (Agencia Española de Cooperación Internacional para el Desarrollo) (AECID). The aim of this initiative is to improve drinking water and sanitation conditions through the development of accessible power systems. The project is carried out in 6 municipalities of the Chinandega Norte region in Nicaragua, inhabited by isolated rural communities, with a highly vulnerable population living in a state of structural poverty.
Other water users 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. 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	Relevant, included	IBERDROLA is acquainted with the concerns and proposals of regulatory entities and puts forward the Company’s own opinions in the legitimate defence of its interests and those of its shareholders, customers and users. It also actively participates both in “public hearings” held by regulatory entities in order to ascertain the opinions of the players involved in the processes prior to the revision of regulations or the determination of domestic energy policies, and in the official processes of enactment of the laws and regulations and the monitoring of the application thereof. As a general rule, IBERDROLA works for the approval of and respect for the principles of good regulation: proportionality, effectiveness and efficiency, responsibility and independence,consistency and credibility and, finally, transparency and clarity.

Stakeholder	Choose option	Please explain
River basin management authorities		During the construction and operation of its facilities,IBERDROLA carries out activities unrelated to its facilities without a specific commercial purpose,intended to meet the needs of the social environment,resolving needs in neighboring communities.For this purpose,IBERDROLA cooperates with local authorities. At Escombreras CCGT, there has been a collaboration with the Public Administration, within the framework of the Association of the Valley of tailings, unifying the checks carried out by companies that pour into the body of water called The mistress-Punta Gables to ensure reliable information on which synergies of discharges of different activities are taken into account. Establishment of homogeneous indicators for control, as MEDOCC index and / or BOPA (presence or absence of species of benthic indicator of contamination), and CARLIT index and / or BENTHOS (presence or absence of species of macroalgae indicator of contamination).
Statutory special interest groups at a local level	Relevant, included	Examples in 2014:Participation and collaboration in application of prevention measures to avoid Mejillón Cebra propagation (Ebro Hydrographi Confederation Water Department, Spain).Requested materials necessary for circulating water from deep well in the Community "Cuixcuatitla" are provided Tamazunchale (México) In the Hydraulic Generation field.
Suppliers	Relevant, included	IBERDROLA tries to act as reference in water management for all its contractors and suppliers.There are commitments in 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 risks. IBERDROLA considers its supply chain on the Water indicators, in the countries that suffer water-stress, the company does not perform any activity in the procurement area.
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		

W2.8

Please choose the option that best explains why your organisation does not undertake a water-related risk assessment

Primary reason	Please explain

Further Information

Module: Implications

Page: W3. Water Risks

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

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 33% of IBERDROLA's EBITDA in 2014. Hydropower generation accounted for 15% of the total production in 2014. 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 provide the number of facilities* per river basin exposed to water risks that could generate a substantive change in your business, operations, revenue or expenditure and the proportion of total operations this represents

Country	River basin	Number of facilites	Proportion of total operations exposed to risk within river basin (%)	Comment
Spain	Other: Duero	6	6-10	% of generation capacity. This is not a relevant risk for IBERDROLA nowadays, because of the location of our facilities. The relevance of these facilities is due to the specificity that each center of production and specific regulations of each region and country.
Spain	Tejo	6	1-5	% of generation capacity. This is not a relevant risk for IBERDROLA nowadays, because of the location of our facilities. The relevance of these facilities is due to the specificity that each center of production and specific regulations of each region and country.
Spain	Other: Jucar	3	1-5	% of generation capacity. This is not a relevant risk for IBERDROLA nowadays, because of the location of our facilities. The relevance of these facilities is due to the specificity that each center of production and specific regulations of each region and country.
Spain	Other: Miño-Sil	5	1-5	% of generation capacity. There is a risk of reputation in this area but this is not a relevant risk for IBERDROLA nowadays, because of the location of our facilities.
Brazil	Other: Different rivers in Bahia, Goiás, Mato Grosso	10	Less than 1%	% of generation capacity. This is not a relevant risk for IBERDROLA nowadays, because of the location of our facilities. The relevance of these facilities is due to the specificity that each center of production and specific regulations of each region and country.
United Kingdom	Other: Cruachan	3	1-5	% of generation capacity. This is not a relevant risk for IBERDROLA nowadays, because of the location of our facilities. The relevance of these facilities is due to the specificity that each center of production and specific regulations of each region and country.
United States of America	Other: New York	5	Less than 1%	% of generation capacity. This is not a relevant risk for IBERDROLA nowadays, because of the location of our facilities. The relevance of these facilities is due to the specificity that each center of production and specific regulations of each region and country.
Mexico	Other: Diffetent rivers	5	Less than 1%	Less than 1% of generation capacity because Mexico is indicated by the water quality in the combined cycle. 94% 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; 3% of the water is consumed and/or retained in the different processes and 3% is returned to the environment in the form of steam generated at the cooling systems of the thermal power plants. The reuse of

Country	River basin	Number of facilites	Proportion of total operations exposed to risk within river basin (%)	Comment
				wastewater for the cooling systems of some plants in Mexico (Monterrey, La Laguna) is also noteworthy. At the La Laguna plant, all water withdrawn is wastewater, which is filtered at the facility.

W3.2b

Please provide the proportion of financial value that could be affected at river basin level associated with the facilities listed in W3.2a

Country	River basin	Financial reporting metric	Proportion of chosen metric that could be affected within the river basin	Comment
Spain	Other: Duero	% global production volume	6-10	This is not a relevant risk for IBERDROLA nowadays, because of the location of our facilities. The relevance of these facilities is due to the specificity that each center of production and specific regulations of each region and country.
Spain	Tejo	% global production volume	1-5	This is not a relevant risk for IBERDROLA nowadays, because of the location of our facilities. The relevance of these facilities is due to the specificity that each center of production and specific regulations of each region and country.
Spain	Other: Jucar	% global production volume	1-5	This is not a relevant risk for IBERDROLA nowadays, because of the location of our facilities. The relevance of these facilities is due to the specificity that each center of production and specific regulations of each region and country.
Spain	Other: Miño-Sil	% global production	1-5	There is a risk of reputation in this area but this is not a relevant risk for IBERDROLA nowadays, because of the location of our facilities.

Country	River basin	Financial reporting metric	Proportion of chosen metric that could be affected within the river basin	Comment
		volume		
Brazil	Other: Different rivers in Bahia, Goiás, Mato Grosso	% global production volume	1-5	This is not a relevant risk for IBERDROLA nowadays, because of the location of our facilities. The relevance of these facilities is due to the specificity that each center of production and specific regulations of each region and country.
United Kingdom	Other: Cruachan	% global production volume	Less than 1%	This is not a relevant risk for IBERDROLA nowadays, because of the location of our facilities. The relevance of these facilities is due to the specificity that each center of production and specific regulations of each region and country.
United States of America	Other: New York	% global production volume	Less than 1%	This is not a relevant risk for IBERDROLA nowadays, because of the location of our facilities. The relevance of these facilities is due to the specificity that each center of production and specific regulations of each region and country.
Mexico	Other: Different rivers	% global production volume	Less than 1%	Less than 1% because Mexico is indicated by the water quality in the combined cycle. 94% 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; 3% of the water is consumed and/or retained in the different processes and 3% is returned to the environment in the form of steam generated at the cooling systems of the thermal power plants. The reuse of wastewater for the cooling systems of some plants in Mexico (Monterrey, La Laguna) is also noteworthy. At the La Laguna plant, all water withdrawn is wastewater, which is filtered at the facility.

W3.2c

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	Develop flood emergency plans Infrastructure maintenance	€4.08 million	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

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
										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 the company. The risks are informed by individual assessment, industry experience and assistance from various expert groupings. As an example of response strategy, storms affected our operations 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
										Maine area at the beginning of 2014. In the Chicago-Toronto-New York triangle, the storms caused several shale gas production facilities to freeze, the saturation of the transport pipelines towards the affected area and the continuous emptying of the underground storage tanks. The restoration and support efforts by IBERDROLA USA subsidiaries is a clear example of best practice

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
										during emergency situations produced by climate disasters. In UK, ScottishPower Energy Networks' engineers also responded to a number of severe storm force weather events over the course of the 2014 winter. The response was quick and effective in both cases. The cost to cope with this risk in 2014 corresponds to activities in environmental prevention and environmental impact

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
										remediation like prepare substation spill plans and effluent treatment.
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 environmental regulations during 2013 made uncertain the future for electric utilities in Spain. Changes in regulations with less requirements may 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.	1-3 years	Probable	Medium	Engagement with public policy makers	€7.13 million	In relation to the insurance cover, IBERDROLA has international insurance programmes to cover equity (insurance for material damages, machinery breakdowns, loss of profits, damages from natural disasters and risks arising from construction work) and third-party liabilities (general civil liability,

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
										liability for environmental risks, professional civil liability, etc.). Cost percentage in investment in new infrastructure.
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		€0.8 million	The materiality analysis for IBERDROLA by KPMG has reflected a low risk associated with the supply of water. The availability of water is critical to ensure a good quality of life of the population where our Company carries on its business, IBERDROLA

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
										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 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

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
										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 water.Main plants affected:Monterrey,Altamira,La Laguna, Golfo,Tamazunchale.	>6 years	Unlikely	Low-medium	Increased investment in new technology	€0.08 million	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 included in discharges

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
										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. At La Laguna and Monterrey combined cycle plants in Mexico a system has been designed for reusing water

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
										from the pool. Costs have been generated by effluent treatment.
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	€7.46 million	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

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
										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

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
										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. Purchase costs derived from effluent treatment equipment.
United Kingdom	Other: All river basins where IBERDROLA is located	Physical-Projected water scarcity	Other: 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 adjust investment and maintenance	>6 years	Unlikely	Medium		€9.2 million	IBERDROLA's facilities are located in an excellent strategic position not being object of physical risk in 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
				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.						short term. In existing facilities 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 2014 that significantly affect water resources or the habitats

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
										associated with the water-collection points, which are for the most part significant masses of fresh water or salt-water. During 2014, 74.6 % of the water captured was salt-water or brackish water and does not occur in protected areas. IBERDROLA has developed a very strong awareness of the physical risks associated with water availability. In the UK, the company 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
										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

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
										issues regarded as more significant 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 reflected a low risk associated with the supply of water. However, IBERDROLA tries to focus its efforts to solve problems which could arise since stakeholders attach

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
										significance to reduction and performance targets in various environmental areas, such as emissions, water consumption, waste generation, etc., and pay special attention to efficiency in the management of resources and to the external verification of emissions data. The cost is a percentage of investments and effluent treatment.
Spain	Other: All river basins where	Regulatory-Higher water prices	Higher operating costs	Increase of operational costs due to the possible imposition of new taxes for using water, with the	1-3 years	Unlikely	Medium	Water management incentives	€3.33 million	The principal water capture to carry out the Group's

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
	IBERDROLA is located			corresponding increase in the cost of the energy.						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.

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
										IBERDROLA 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

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
										impact of regulatory or tariff changes on operations. Company's comprehensive risk system, which is certified in 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

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
										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 FAO/AQUASTAT database IBERDROLA indentifies whether the countries where the Company has facilities could possible be classified as a Water

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
										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. Cost percentage in investment in new infrastructure.
Spain	Other: All river basins where	Regulatory-Increased difficulty in obtaining withdrawals/operati	Other: Constraint to future	Tightening on regulations and standards will require the Company to invest in complying with high	Current-up to 1 year	Probable	Medium	Engagement with public policy	€1.42 million	In order to prevent any impact, IBERDROLA

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
	IBERDROLA is located	ons permit	growth	environmental impact studies,obtaining licences,permits and other mandatory authorisations.Operational 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.				makers Engagement with other stakeholders in the river basin		relies on transparency and environmental management systems.100 % IBERDROLA hydro generation facilities in Spain are under IS0 14000 System: minimising environmental risks, thus improving the Company's environmental management in line with its commitment to environmental protection. Cost percentage in investment in new infrastructure.
United	Other: All	Regulatory-	Other:	The development of the	1-3 years	Probable	Medium	Engageme	€4	In the UK this

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
Kingdom	river basins where IBERDROLA is located	Regulatory uncertainty	Constraint to future growth	European Water Frame 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.				nt with public policy makers	million	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. The cost is a percentage of investments and effluent treatment.
Spain	Other: All river basins where IBERDROLA is located	Other: Reputational Damage	Brand damage	IBERDROLA believes that the strategy commitment with environment and society has benefits achieving higher brand recognition and improving its corporate reputation.	>6 years	Probable	Medium		€3.2 million	IBERDROLA has developed a general System on Stakeholder Engagement,

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
				Any company's involvement and management of crisis situations could have a damaging effect on reputation.						to control reputation risks. There is a Reputation Committee 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

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
										the REPTRAK tool in conjunction with the Reputation Institute 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

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
										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. Costs derived from effluent treatment equipment.
Spain	Other: All river basins where IBERDROLA is	Physical-Inadequate infrastructure	Higher operating costs	Problems associated with poor infrastructures may cause direct decrease in the IBERDROLA's production efficiency, increasing the frequency	Current-up to 1 year	Probable	Medium	Increased investment in new technology	€16.64 million	The principal water capture to carry out the Group's activities takes place 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
	located			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.						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 the Velilla plant, there was a complete overhaul of the water

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
										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. Cost percentage in investment in new infrastructure.
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 value can be up to -4,000,000 MWh in a dry year and +5,000,000 MWh in a wet year, with dry	1-3 years	Probable	Medium-high	Water management incentives	€19 million	Although the effect depends on the time of year in which the rains occur, and many other physical parameters of the 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
				years being more likely than wet years.						considering the high inverse correlation between the water availability and the price of electricity, the variability would be between EUR -150/+100 million. The lost profit would not be covered as it is considered an risk inherent to IBERDROLA. Cost percentage in investment in new infrastructure.

W3.2d

Please list the inherent water 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	Engagement with suppliers Increased investment in new technology	€8.5 million	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

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
										culture of innovation. We are 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. We have in place a Contracting and relationship with suppliers policy.
Spain	Other: All river basins where	Reputational-Negative media	Brand damage	Our company can be involved in a	>6 years	Unlikely	Low-medium	Engagement with suppliers	€3.2 million	IBERDROLA has developed a GLOBAL

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
	IBERDROLA is located	coverage		problem of a 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.						SUPPLIER 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

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
										- Safety and occupational risk prevention - Environment - Social Responsibility - Economic and financial condition - Prior references - Anti-bribery & 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

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
										environment and/or occupational risk prevention.
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	€4.75 million	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 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.

W3.2e

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

W3.2f

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

W3.2g

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

Further Information

Page: W4. Water Opportunities

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 C02 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 C02 rights.	>6 years	In 2008, an agreement was signed with the Portuguese Government for the construction of the Támega river hydroelectric complex, one of the largest to be built in Europe in the past 25 years, with 1,054 MW in capacity.

Country or region	Opportunity	Strategy to realize opportunity	Estimated timeframe	Please explain
Brazil		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 C02 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 water use through a rainwater collection system which, after being treated, is used as process water. Half of ScottishPower's wind farms have rooftop rainwater collectors and storage tanks to use the water at the control buildings.
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	At the Klamath plant in the United States of America, 98 % of treated wastewater was used for all of its processes only 2% is fresh water. The sewage water is received for all plant processes from the sewage treatment plant, and all unevaporated water is returned to the sewage treatment plant where it mixes with other wastewater for discharge into the Klamath river. As result of sewage water use the final effluent has better physicochemical characteristics avoiding the use of river or dam water.
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	The reuse of wastewater for the cooling systems of some plants in Mexico (Monterrey, La Laguna) is noteworthy. At La Laguna and Monterrey combined cycle plants in Mexico a system has been designed for reusing water from the pool. 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 (3.213 GWh), used for industrial processes or heating systems.At Escombreras CCGT, there was a reduction in the consumption of potable water at the demineralised water treatment plant,reusing industrial effluents generated by the plant.

Country or region	Opportunity	Strategy to realize opportunity	Estimated timeframe	Please explain
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 2014 that significantly affect water resources or the habitats associated with the water-collection points.74.6% 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 efficiency	Dulces Nombres combined cycle plant uses treated wastewater in its operations.	Current-up to 1 year	During 2013, Dulces Nombres combined cycle plant was 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.
Company-wide	Cost savings	Rainwater collectors may be installed in areas where rain is usually high.	4-6 years	At some of ScottishPower’s wind farms, the control buildings have rooftop rainwater collectors and storage tanks to use the water.
Spain	Improved water efficiency	Improved systems can lead to an increase in water efficiency. Water use efficiency is a global target for IBERDROLA Group.	Current-up to 1 year	As an example, during 2014, at the Lada thermal plant a system was designed for reusing water from the pool.
Spain	Cost savings	At Velilla thermal plant several actions have been implemented to improved water related issued.	Current-up to 1 year	Implemented actions have been: • Reforms in the extraction system of wastewater treatment sludge for improving its effectiveness. • Reuse wash water absorber through pipe routing reform. • Completion of work on automation plant effluent and cooling water treatment Group 2 in the plant control system (T3000).
Company-wide	Increased brand value Other: re	CDP 2013 study comparing kpi (water used/ sales) among different utilities has been very useful for incresing our reputation.	Current-up to 1 year	We are publishing this information in our webpage and Sustainability Report because it reinforces our management.

Country or region	Opportunity	Strategy to realize opportunity	Estimated timeframe	Please explain

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

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

Further Information

Module: Accounting

Page: W5. Facility Level Water Accounting (I)

W5.1

Water withdrawals: for the reporting year, 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 year?	Please explain the change if substantive
Facility 1	Spain	Other: All river basins where IBERDROLA is located	IBERDROLA's facilities in Spain	1198233	Lower	7% higher than previous year.
Facility 2	United Kingdom	Other: All river basins where IBERDROLA is located	IBERDROLA's facilities in the United Kingdom	1485672	Much lower	In 2014 the production decreased in Coal, cogeneration and Combined Cycles compared to 2013, so it means a water withdrawal 18% lower.
Facility 3	United States of America	Other: All river basins where IBERDROLA is located	IBERDROLA's facilities in the United States of America	3392	Lower	9% lower than previous year.
Facility 4	Mexico	Other: All river basins where IBERDROLA is located	IBERDROLA's facilities in Mexico	57041	Higher	5% higher than previous year.
Facility 5	Brazil	Other: All river basins where IBERDROLA is located	IBERDROLA's facilities in Brazil	191	Much higher	In 2014 the production increased compared to 2013, so it means a water withdrawal 24% higher.

Further Information

Page: W5. Facility Level Water Accounting (II)

W5.1a

Water withdrawals: for the reporting year, please provide withdrawal data, in megaliters per year, for the water sources used for all facilities reported in W5.1

Facility reference number	Fresh surface water	Brackish surface water/seawater	Rainwater	Groundwater (renewable)	Groundwater (non-renewable)	Produced/process water	Municipal water	Wastewater from another organization	Comment
Facility 1	668690	528193	1	0	269	0	1050	30	
Facility 2	26	1482445	0	0	557	0	2644	0	
Facility 3	0	0	0	0	128	0	144	3120	
Facility 4	8183	37609	0	0	2	0	2104	9143	
Facility 5	0	104	0	0	0	0	87	0	

W5.2

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

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 year?	Please explain the change if substantive
Facility 1	1198233	Lower	4% lower than previous year.
Facility 2	1485672	Lower	12% lower than previous year.

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 year?	Please explain the change if substantive
Facility 3	3392	Higher	2% higher than previous year.
Facility 4	57041	Higher	6% higher than previous year.
Facility 5	191	Lower	4% lower than previous year.

W5.2a

Water discharge: for the reporting year, please provide water discharge data, in megaliters per year, by destination for all facilities reported in W5.2

Facility reference number	Fresh surface water	Municipal Treatment Plant	Seawater	Groundwater	Comment
Facility 1	628086	97	528425	0	
Facility 2	59	2049	1485246	0	
Facility 3	0	1589	0	0	
Facility 4	1735	2038	26201	0	
Facility 5	0	143	0	0	

W5.3

Water consumption: for the reporting year, please provide water consumption data for all facilities reported in W3.2a

Facility reference number	Consumption (megaliters/year)	How does this compare to the last reporting year?	Please explain the change if substantive
Facility 1	41668	Lower	2.6% lower than previous year. In 2014 production in Nuclear and Combined Cycles decreased compared to 2013.
Facility 2	0		The cooling systems in the United Kingdom are open circuits or air condensers, therefore it is estimated that the volume of evaporated water is practically zero.
Facility 3	1804	Much lower	16.21% lower than previous year. In 2014 production in Cogeneration decreased compared to 2013.
Facility 4	27047	Higher	3% higher than previous year.
Facility 5	104	Much higher	54% higher than previous year, due to maintenance of the purge water-steam cycle open for long periods of time in order to obtain chemical stabilization of system parameters, with consequent elimination of contaminants and renewing the water used in the process.

W5.4

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

Water aspect	% verification	What standard and methodology was used?
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 aspect	% verification	What standard and methodology was used?
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.

Further Information

Module: Response

Page: W6. Governance and Strategy

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-quarterly	Water´s concern is present throughout the Company and the highest responsibility resides in the Board of Directors through its Corporate Social Responsibility Committee: This is a permanent internal informational and consultative body, with information, advisory and proposal-making powers within its scope of action which later will be approved by the Board of Directors.

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 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 were 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).
Exploration of environmental impact	Operational impact on biodiversity is assessed and assured by the certified Environmental management systems (EMS) specific to the businesses, based on the UNE-EN-ISO 14001:2004 and EMAS standard, distributed and implemented throughout much of their organizations and facilities. These EMS allow us to manage and monitor the impact on water, biodiversity and other related aspects as air pollution, soils, waste, etc.

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

W6.3

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

Yes

W6.3a

Please select the content that best describes your water policy (tick all that apply)

Content	Please explain why this content is included
Publicly available Company-wide Performance standards for direct operations Performance standards for supplier, procurement and contracting best practice Commitment to customer education Incorporated within group environmental, sustainabiilty or EHS policy Acknowledges the human right to water, sanitation and hygiene	IBERDROLA has 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. The Group has policies of Environment, Sustainability, Biodiversity, against Climate Change, Respect for Human Rights among others. campaigns on saving and water use efficiency. IBERDROLA is developing awareness campaigns on saving and water use efficiency.

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 CAPEX (+/- % change)	Water OPEX (+/- % change)	Motivation for these changes
20	248	IBERDROLA is developing new hydropower generation plants: €35 million in 2013 and € 48 million in 2014. The rest of CAPEX includes treatment of effluents, and systems to control and avoid spills, among others. Considering OPEX: it is noteworhty the reuse of wastewater for the cooling systems of some plants in Mexico (Monterrey, La Laguna) and in the United States of America (Klamath). The highest increase in OPEX in 2014 has been due to an increase in the cost for treatment of effluents in the Renewables business.

Further Information

Page: W7. Compliance

W7.1

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

No

W7.1a

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

Facility name	Incident	Incident description	Frequency of occurrence in reporting year	Financial impact	Currency	Incident resolution

W7.1b

What proportion of your total facilities/operations are associated with the incidents listed in W7.1a

W7.1c

Please indicate the total financial impacts of all incidents reported in W7.1a as a proportion of total operating expenditure (OPEX) for the reporting year. Please also provide a comparison of this proportion compared to the previous reporting year

Impact as % of OPEX	Comparison to last year

Further Information

Page: W8. Targets and Initiatives

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 2014, 76.9 % of the suppliers contracts (2.5 % more than 2013),	Other: % of suppliers with environmental management system	2013	2014	100%
Reduction of product water intensity	Increased revenue	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 led to a reduction in water consumption per GWh produced. According to CDP Report, the intensity of water consumption at the Group by 2014 sales was 61% less than the other utilities (37% decreased compared with 2013). Our goal is to keep that intensity 50% lower than the European average in the next five years. . Public in our webpage.	Other: % reduction per unit of sales	2013	2014	100%
Reduction in consumptive volumes	Cost savings	Water consumption has been a 47.8% lower in 2014 compared to 2013.	% reduction per unit of production	2013	2014	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	The state and development of the goal is continuous improvement.

Goal	Motivation	Description of goal	Progress
		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.	
Other: Transparency	Brand value protection	IBERDROLA supports transparency regarding its water strategy.	The state and development of the goal is continuous improvement.
Other: 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 and sanitation systems. In addition a lack of appropriate sanitation profoundly affects the health and well-being of billions of people.	The state and development of the goal is continuous improvement.
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 that is efficient in economic terms. 3) Raise awareness on the importance of taking measures to reduce greenhouse gases.	The state and development of the goal is continuous improvement.
Other: Implementation of Environmental Management Systems	Risk mitigation	We aim to improve the compatibility of our 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.	The state and development of the goal is continuous improvement.
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(by KPMG) reflected a low risk associated with the supply of water.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	The state and development of the goal is continuous improvement.

Goal	Motivation	Description of goal	Progress
		installed.	
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 carryes 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.	The state and development of the goal is continuous improvement.
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.	The state and development of the goal is continuous improvement.
Watershed remediation and habitat restoration, ecosystem preservation	Risk mitigation	TEVA Project for Reducing the Temperature of Thermal 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 ºC.	The state and development of the goal is continuous improvement.
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, 5 km 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.	The state and development of the goal is continuous improvement.
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 state and development of the goal is continuous improvement.
Engagement with public policy makers to advance sustainable	Water stewardship	Hidden services provided by reservioirs. Biovalora project was started by the Basque Ecodesign Centre (IHOBE) and has been supported by IBERDROLA throughout. It aims to	The project was carried out in the Tera river basin (Zamora); to be more specific, at the following power plants: Cernadilla (installed capacity of 30 MW and

Goal	Motivation	Description of goal	Progress
water policies and management		define a methodology for assessing the economic impact of significant value of these "hidden services" provided by reservoirs.	reservoir capacity of 255 Hm3), Valparaíso (68 MW and 162 Hm3) and Agavanzal (24 MW and 34 Hm3). These facilities were selected because they combined a representative number of the ecosystem services to be assessed, such as supplying water for fire prevention, irrigation and human consumption, flood control, recreational tourism, water treatment, etc. In order to ensure the most reliable results, it was decided to cover the longest possible period of time. For data availability reasons, the period chosen ended up being the last 10 years.
Watershed remediation and habitat restoration, ecosystem preservation	Increased revenue	In Spain, the company has invested some €10 million on renovating its oldest small hydro power plants, equipping them with the most efficient and advanced technology to improve output and extend their lifespan. Also, important environmental and safety measures were carried out, such as raising fish ladders at weirs and fences along canals.	IBERDROLA has implemented a plan to modernise and upgrade 45 of its 92 small hydro power plants in Spain, in which some €10 million was invested over the past three years. Through this initiative the company has equipped its oldest plants with the most efficient and advanced technology to improve output and extend their lifespan. The project included the electromechanical reengineering of turbines and alternators, a key element of hydro power plants, as well as civil works to upgrade canals and weirs and the replacement of control systems. Also, important environmental and safety measures were carried out, such as raising fish ladders at weirs and fences along canals.
Other: Efficient and facility safety	Cost savings	It has been promoted FILTRACIONES project, focuses on the development of a new methodology for efficient and safety inspections on water channels.	During 2014, IBERDROLA's R&D efforts in the generation area seek to optimise operating efficiency, increase safety and decrease the environmental impact.
Other: Disclose information	Brand value protection	IBERDROLA is calculating its Water Footprint.	IBERDROLA is calculating its Water Footprint this year, although the results are not yet available.

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: Linkages/Tradeoff

Page: W9. Managing trade-offs between water and other environmental issues

W9.1

Has your organization identified any linkages or trade-offs between water and other environmental issues in its value chain?

Yes

W9.1a

Please describe the linkages or trade-offs and the related management policy or action

Environmental issues	Linkage or trade-off	Policy or action
Hidden services provided by reservoirs management	Linkage	Reservoirs play a decisive role in ecosystems, although people are not generally aware of this. Biovalora project was started by the Basque Ecodesign Centre (IHOBE) a year ago and has been supported by Iberdrola throughout. It aims to define a methodology for assessing the economic impact of these services ('hidden services' provided by reservoirs). As the main hydroelectric operator in Spain, Iberdrola makes a significant contribution towards mitigating the damage caused by the heavy rainfall. The project was carried out in the Tera river basin (Zamora-Spain). This river basin was selected because it combined a representative number of the ecosystem services to be assessed, such as supplying water for fire prevention, irrigation and human consumption, flood control, recreational tourism, water treatment, etc. In order to ensure

Environmental issues	Linkage or trade-off	Policy or action
		the most reliable results, it was decided to cover the longest possible period of time (10 years). Some qualitative considerations obtained in the study were almost more relevant than the economic assessment, such as the importance of supplying water for irrigation purposes. This is one of the most important services provided by reservoirs, because it allows for development in irrigated areas that would not be possible under normal conditions. This in turn has enabled economic development in countries that would otherwise have been affected by serious economic and population decline, if they had been solely reliant on rain-fed agriculture.
Wastewater management	Linkage	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.

Further Information

Module: Sign Off

Page: Sign Off

W10.1

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

Name	Job title	Corresponding job category
AGUSTIN DELGADO	Chief Innovation Officer, Innovation, Sustainability and Quality Director, reports directly to our CEO and President	Environment/Sustainability manager

W10.2

Addressing water risks effectively, in many instances, requires collective action. CDP would like to support you in finding potential partners that are also working to tackle water challenges in the river basins you report against. Please select if your organization would like CDP to transfer your publicly disclosed risk and impact drivers and response strategy data from questions W1.4a, W3.2b, W3.2c, W4.1a and W8.1b to the United Nations Global Compact Water Action Hub.

Yes

Further Information

CDP 2015 Water 2015 Information Request