

4

OUR ASSETS

Iberdrola's assets are the basis for the creation of value by the Company, which carries out its activities through the sound management of these assets

In this report, Iberdrola's assets are identified in accordance with the IIRC classification system:

- Financial capital
- Manufactured capital
- Intellectual capital
- Human capital
- Natural capital
- Social and relationship capital

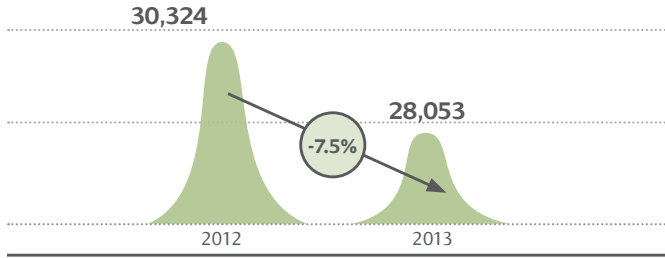
4.1

FINANCIAL CAPITAL

	MANAGEMENT APPROACH	2013 RESULTS	OUTLOOK
Solid financial structure	<ul style="list-style-type: none"> Iberdrola is committed to bolstering its financial strength in order to successfully contend with market turbulence and be well placed to capitalise on the expected medium-term upturn in the economic cycle. Its strategy is geared towards further reducing debt, attaining positive cash flow in all of the businesses, and improving its solvency ratios. 	<ul style="list-style-type: none"> Stable gross margin of 12,577 million euros. Net profit of 2,572 million euros, a year-on-year drop of 7% due to the impact of regulatory and tax measures in Spain. Cash flow of 5,619 million euros. Reduction of net debt by 2,271 million euros, to 28,053 million euros. Liquidity of 10,826 million euros, which covers more than 30 months of financing needs. 	<ul style="list-style-type: none"> Average annual EBITDA and net profit growth of 4% over the 2014-2016 period. Reduction of net debt to 25,000 million euros by year-end 2014, and maintenance of this level in 2015 and 2016. Improvement of the net debt/EBITDA and operating cash flow/net debt financial ratios. Optimisation of the liquidity position to cover financing needs for 24 months.
Operating efficiency	<ul style="list-style-type: none"> The current macroeconomic and regulatory environment requires an additional effort to keep operating costs under control. 	<ul style="list-style-type: none"> Net operating expenditure contained, maintaining efficiency. Net operating expenditure/gross margin ratio of approximately 30.2%, compared to 30.1% in 2012. 	<ul style="list-style-type: none"> Containment of operating expenses, keeping them below gross margin growth and thereby helping to boost efficiency.
Monitoring of investments	<p>Targeted control of investments will enable:</p> <ul style="list-style-type: none"> Assurance of return on equity through projects geared towards rapid recovery or increased stability of results, focusing on regulated businesses. Generation of positive free cash flow in all businesses and reduction of financial debt. Tailoring of investment levels to the actual needs of each market. 	<ul style="list-style-type: none"> Total investment of 3,053 million euros, with over 87% channelled into regulated businesses and renewables. 6.3% reduction in investment compared to 2012, confirming the investment containment trend of the past few years. €2,000 million divestiture plan completed in early 2014. 	<ul style="list-style-type: none"> Strict investment criteria based on earnings security, project profitability, and short implementation periods. Strategies of investment in businesses and countries with predictable and stable regulation, and divestiture of non-strategic assets and in non-strategic countries. Net investment of 9,600 million euros over the 2014-2016 period, concentrating on regulated businesses.
Sustainable results and dividends	<ul style="list-style-type: none"> Iberdrola offers its shareholders an industrial enterprise for the long-term creation of value. The confidence of its shareholders enables Iberdrola to secure the resources needed to move its enterprise forward. 	<ul style="list-style-type: none"> Shareholder remuneration of 0.308 euro per share, equal to a dividend yield of 6.65%. Flexible dividend offering tax benefits. 	<ul style="list-style-type: none"> Continuation of the flexible dividend programme, with a target annual payout of 0.27 per share over the 2014-2016 period. Target of maintaining the number of shares at 6,240 million, neutralising the capital increases associated with implementation of the Flexible Dividend programme. Potential increase in the dividend per share, based on net profit.

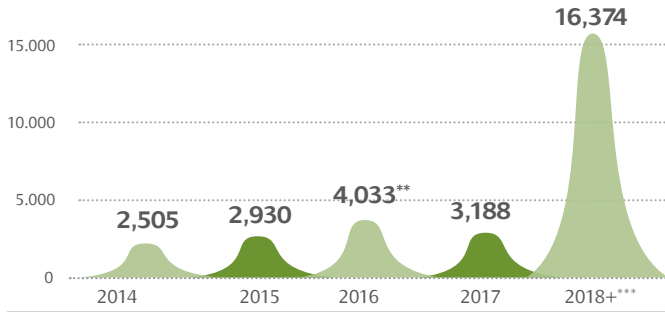
Create value for shareholders through sustainable growth

DEBT
(M €)



Strengthening of the balance sheet, as planned

MATURITY OF FINANCIAL DEBT*
(M €)



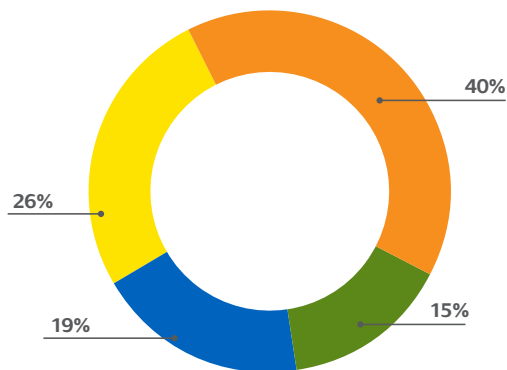
* Does not include drawn lines of credit.

** Includes €745 million with option to extend 1+1 years and €595 million with option to extend 1 year.

*** Assumes renewal of outstanding balance of notes in the amount of €670 million.

Comfortable maturity profile

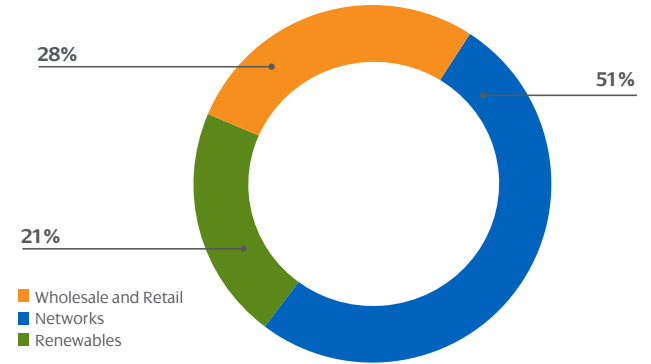
INVESTMENT BY GEOGRAPHIC AREA 2013



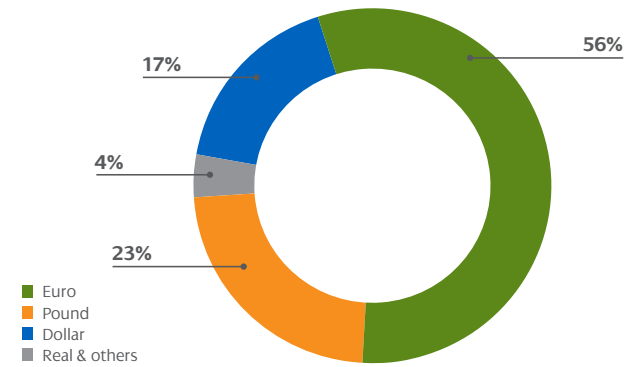
Diversification of investments, with a heavy concentration outside of the euro area

- Spain
- United Kingdom
- United States
- Latam and others

EBITDA BY BUSINESS

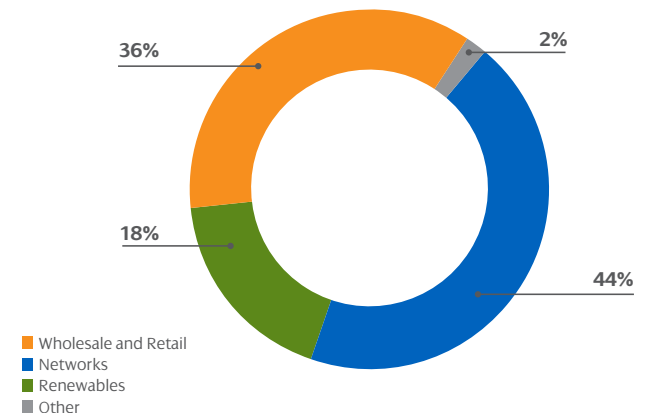


DEBT STRUCTURE BY CURRENCY IN 2013



Debt structured by origin of cash flow earned in each currency

GROSS MARGIN BY BUSINESS



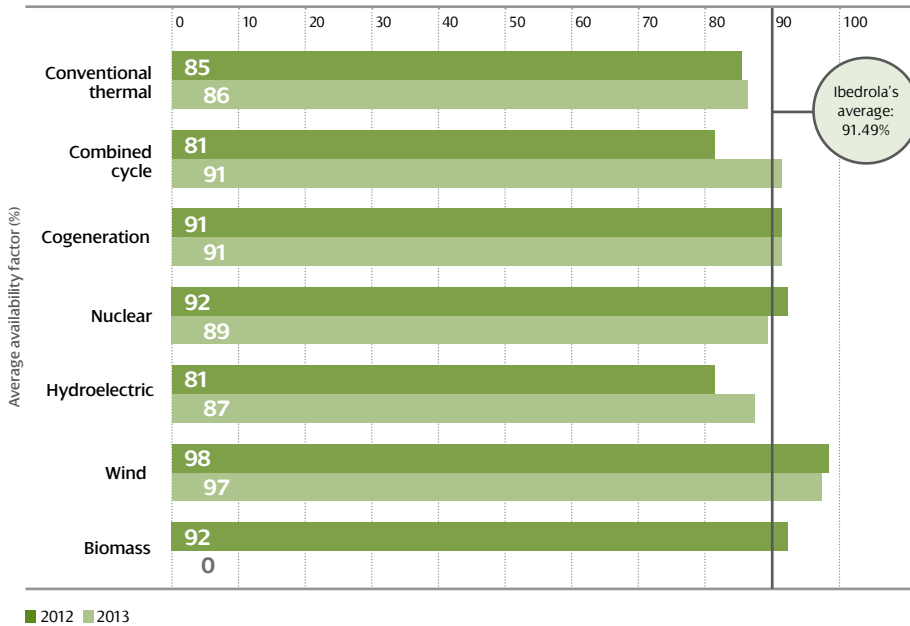
- Wholesale and Retail
- Networks
- Renewables
- Other

4.2 MANUFACTURED CAPITAL

	SCOPE	2013 PRINCIPAL ACTIVITIES	OUTLOOK
Power generation assets	Iberdrola's generation assets comprise nearly 300 wind farms, almost 90 hydroelectric power plants (in addition to the mini-hydro plants), 34 thermal power stations using various technologies, 5 of which are nuclear, and other facilities built and operated according to the best available practices.	<ul style="list-style-type: none"> ■ ISO 9000 and ISO 14000 quality and environmental certification has been attained for the Company's generation operations in Spain, the United Kingdom, and Mexico. ■ ISO 9000 certification has also been attained for the operation of wind farms in Spain and the United Kingdom. 	<ul style="list-style-type: none"> ■ Commencement in England of the largest renewables project in the Company's history, an offshore wind farm with a capacity of 7,200 MW in one of the most important locations in the world. ■ In Mexico, expansion of the Enertek cogeneration plant (40 MW) will be completed in 2014. It is expected that Baja California III (300 MW), the Monterrey extension (300 MW), the newly awarded combined-cycle project (900 MW), and a new cogeneration facility (50 MW) will commence operations in 2016. ■ Analysis of upcoming development projects in Mexico and the United Kingdom.
Power transmission and distribution assets	Iberdrola's electricity transmission and distribution networks comprise over 36,000 km of transmission lines, over 1 million km of distribution lines, roughly 3,900 substations and over 1.3 million transformers, built and operated to supply a high-quality, reliable service.	<ul style="list-style-type: none"> ■ Quality and environmental certification is held for Network Business processes, within which over 3,000 internal quality inspections and over 11,000 inspections of contractors have been performed. ■ Deployment of smart meters in various territories in which the Company is active: Spain, the United States, and Brazil. 	<ul style="list-style-type: none"> ■ Construction of a new electricity transmission line corridor between the electricity systems in Canada and the United States, aimed at improving reliability in the New England area. ■ Projected investments in the United Kingdom transmission network, to improve the reliability and quality of supply. Especially noteworthy is the "Western Link", a subsea cable linking the Scottish and English networks. ■ Launch of the P2020 strategic project in Spain, aimed at achieving increased efficiency, operational safety, and supply quality.
Other assets	Iberdrola has corporate offices in all of the geographic regions in which it distributes electricity, as well as other buildings and ancillary infrastructure associated with its operations.	<ul style="list-style-type: none"> ■ The Iberdrola Tower, the Group's headquarters in Bilbao (Spain), is the first building in the country to obtain the LEED CS 2.0 Platinum-level certification, due to its commitment to the use of environmentally friendly technologies. ■ Iberdrola holds a Global Certification in Quality Management pursuant to the ISO 9001 standard for the activities carried out by the Group. 	<ul style="list-style-type: none"> ■ Construction of a new corporate building in central Glasgow, Scotland with 14 storeys and a capacity for 1,900 employees, for which ScottishPower has submitted a formal planning application.

Offer a secure supply of energy that is competitive in price and quality

AVERAGE AVAILABILITY FACTOR OF IBERDROLA'S GENERATION FACILITIES



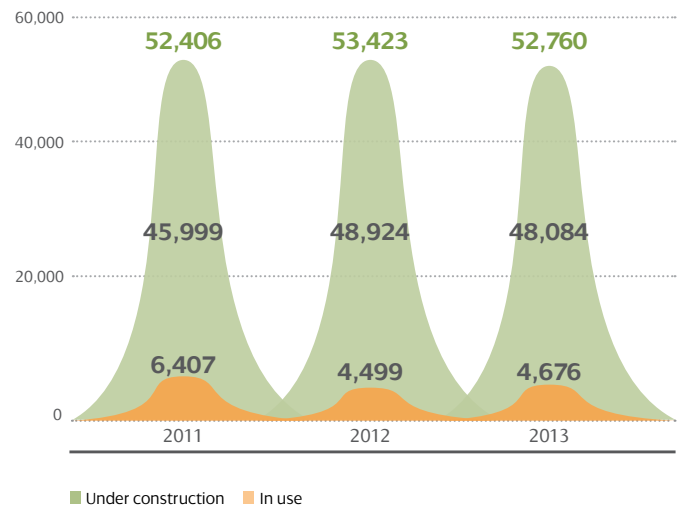
Iberdrola has corporate offices in all the regions in which it distributes electricity

QUALITY OF ELECTRICITY SUPPLY

Average power outage duration		2012	2013
Spain	TIEPI (m)	58.2	62.4
United Kingdom	CML (m)	46.5	44.0
United States	CAIDI (h)	1.85	2.47
Brazil	DEC (h)	17.01	18.61
Average power outage frequency		2012	2013
Spain	NIEPI (no.)	1.14	1.20
United Kingdom	CI (ratio)	45.5	44.0
United States	SAIFI (index)	1.15	1.24
Brazil	FEC (frequency)	7.59	7.64

TIEPI: Installed Capacity Equivalent Interrupt Time. CML: Customer Minutes Lost Per Connected Customer. CAIDI: Customer Average Interruption Duration Index. DEC: Equivalent Duration of Interruption by Consumer Unit. NIEPI: Installed Capacity Equivalent Interrupt Number. CI: Customer Interruptions Per 100 Connected Customers. SAIFI: System Average Interruptions Frequency Index. FEC: Equivalent Frequency of Interruption by Consumer Unit.

PROPERTY, PLANT, AND EQUIPMENT (M€)



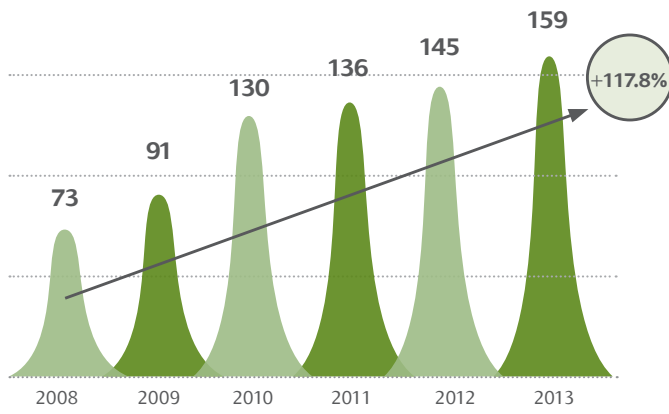
4.3 INTELLECTUAL CAPITAL

	MANAGEMENT APPROACH	2013 PRINCIPAL ACTIVITIES	OUTLOOK
Promotion of R&D	<ul style="list-style-type: none"> Promotion of research, development and innovation (R&D) activities, enabling Iberdrola to improve the sustainability and reliability of supply through new, more efficient products and services. <div style="border: 1px solid black; padding: 5px; margin-top: 10px;">  INNOVATION REPORT </div>	<ul style="list-style-type: none"> Significant increase in R&D investment: €159 million in 2013, a 10% increase over 2012. Open, decentralised international R&D management model that prioritises collaboration with technology providers and the promotion of employee innovation. Implementation of over 150 R&D projects within the various Businesses of the Group. 	<ul style="list-style-type: none"> Development of the 2012-2014 R&D Plan. Investment of €450 million in R&D over the 2012-2014 period. Consolidation of an open, decentralised international management model. Continue to promote R&D projects.
Efficiency and new products and services	<ul style="list-style-type: none"> Continuous optimisation in the management of the lifecycle of facilities and equipment, reducing operating and maintenance costs, and decreasing environmental impact. New products and services that meet customer needs in an increasingly global and competitive market. 	<ul style="list-style-type: none"> New projects and services in the areas of energy efficiency, electric vehicles, smart grids and distributed generation. Creation of an R&D technology centre in Qatar relating to the development of smart grids. 	<ul style="list-style-type: none"> Positioning as innovation leaders on prestigious external indices and ratings. Foster the creation of new business opportunities for Iberdrola.
Disruptive technologies and business models	<ul style="list-style-type: none"> Through Iberdrola Ventures - Perseo, the Company's corporate venture capital programme, investments are made in disruptive technologies and new businesses to ensure the sustainability of the energy model. 	<p>Areas of activity of <i>Iberdrola Ventures - Perseo</i>:</p> <ul style="list-style-type: none"> Distributed energy resources (DER): customer-side technologies including energy efficiency and active demand response, distributed generation and storage, green mobility, etc. Renewable energy: solar (PV and thermal), wind (offshore), marine (wave and tidal), etc. New technologies for the operation and maintenance of energy infrastructures. Other technologies aimed at improving the sustainability of the energy sector. <p>With an investment of more than €40 million since 2008.</p>	<ul style="list-style-type: none"> Ensure Iberdrola's access to the energy technologies of the future. Foster entrepreneurship and the development of an innovative entrepreneurial fabric within the energy sector. Within the framework of the Spanish government's <i>Invierte</i> programme, more than €25 million will be invested in the coming years in new technology projects for the energy sector.

Emphasise the value of the Company's intangible assets



INVESTMENT IN R&D
(M €)



MAIN R&D RESEARCH PROJECTS



Renewable energy	<ul style="list-style-type: none"> The European Twenties project to demonstrate the viability of large-scale integration of wind energy into the network, with active collaboration on network stability Various projects for the development of offshore wind energy (<i>Innpacto emerge</i>, <i>Etorgai flottek</i>, <i>Cenit azimuth</i>, <i>Eera Dtoc</i>, <i>Offshore Wind Accelerator</i>, etc.) The <i>Openfoam</i> wind resource project.
Smart grids	<ul style="list-style-type: none"> The <i>Star</i> programme for the deployment of smart grids in Spain, to be continued in Scotland and the United States. The <i>European Grid4EU</i> and <i>iGreenGrid</i> projects for the integration of renewable energy into electricity networks. Creation of an R&D technology centre on smart grids in Qatar. Other European projects such as <i>Discern</i> and <i>Advanced</i>.
Clean generation	<ul style="list-style-type: none"> The <i>Coeben II</i> project for the reduction of NO_x emissions. The <i>GT-Controllflex</i>, <i>Rejas</i>, <i>Fueltube</i> and <i>Fotonum</i> projects, focusing on plant operational flexibility and efficiency The <i>Sigma</i> and <i>Vida</i> projects relating to the capture of CO₂.
Electric vehicles	<ul style="list-style-type: none"> Battery recharging systems and technologies. Business models and commercial solutions for users.

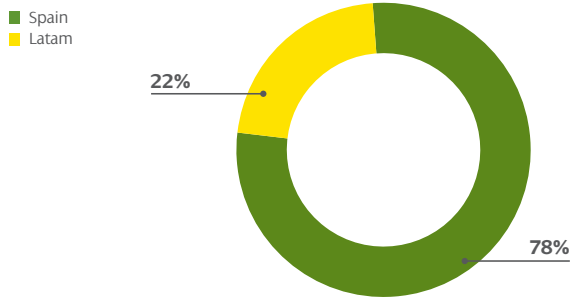
4.4 HUMAN CAPITAL

	MANAGEMENT APPROACH	2013 PRINCIPAL ACTIVITIES	OUTLOOK
Global human resources management	<ul style="list-style-type: none"> ■ Achieve the goals of competitiveness and business efficiency in a climate of social peace, fostering stable, high-quality employment. ■ Harmonise human resources processes and make inroads with implementing the Iberdrola culture in all countries, respecting specific local conditions. 	<ul style="list-style-type: none"> ■ Implementation of the project for global consolidation of the Human Resources Model (<i>OneHR</i> project) in Spain and the United States. ■ Management of an appropriate labour relations framework that can be adapted to suit business and social requirements. 	<ul style="list-style-type: none"> ■ Strengthen the commitment to social responsibility, fostering ethical and responsible behaviour. ■ Consolidate the Human Resources function in the United Kingdom, Latin America, and other countries, extending and unifying best practices.
Goal of “accident reduction”	<ul style="list-style-type: none"> ■ Prioritise the safety of individuals at the Group's facilities and within its sphere of influence. ■ Replicate the best practices identified with respect to safety and prevention throughout the Group. 	<ul style="list-style-type: none"> ■ Attainment and/or maintenance of the OHSAS 18001 certification, and development of the associated plans for improvement. ■ Creation of groups to promote safe behaviour. ■ Determination of content and launch of the Global Scorecard. ■ Identification and application of best safety practices within the Group. ■ Exchange of lessons learnt in regard to accidents/incidents. 	<ul style="list-style-type: none"> ■ Establish proactive and reactive indicators for comparison of the Group's companies. ■ Drive a progressive reduction in accident rates. ■ Improve health and safety conditions, achieving an increasingly healthy workplace. ■ Develop a global occupational risk-prevention system. ■ Systems to identify and recognise the best ideas in order to optimise health and safety.
Talent management	<ul style="list-style-type: none"> ■ Drive staff qualifications, preparing employees to work in a multicultural environment and making continual efforts to improve their employability. ■ Develop alternatives to compensate for factors stemming from the ageing of the workforce. ■ Define a framework to develop a global quality management system. 	<ul style="list-style-type: none"> ■ Specific professional development for executives. ■ Promotion of job and international mobility within multicultural teams. ■ Presence of over 500 interns in 2013. ■ Integration of management of training and professional development at the international level. ■ Harmonisation of selection processes. 	<ul style="list-style-type: none"> ■ Strengthen the talent and leadership development management model at the international level. ■ Drive the professional development of middle managers and skilled technicians under a harmonised framework, sharing best practices between the different countries. ■ Global certification of training quality.
Diversity, equal opportunity, and reconciliation	<ul style="list-style-type: none"> ■ Tackle diversity in all Human Resources activities of the Group, ensuring equal opportunity and the labour integration of disadvantaged groups. ■ Develop these principles, providing measures to help reconcile personal, family, and working life. ■ In the countries in which Iberdrola operates, foster a position of leadership in these areas similar to that enjoyed in Spain. 	<ul style="list-style-type: none"> ■ Creation of various committees, such as Iberdrola USA's Diversity and Equality Committee. ■ Renewal and maintenance of the “Family-Responsible Company Certificate”. ■ Cultural exchange (My Guest) and international volunteer (Brazil 2.0) programmes. 	<ul style="list-style-type: none"> ■ Foster improvements in the quality of people's lives through social welfare activities in all of the countries in which the Iberdrola Group has a presence. ■ Creation of the Iberdrola Volunteers Around the World programme. ■ Strengthening of the sense of belonging and actions aimed at improving the work environment.

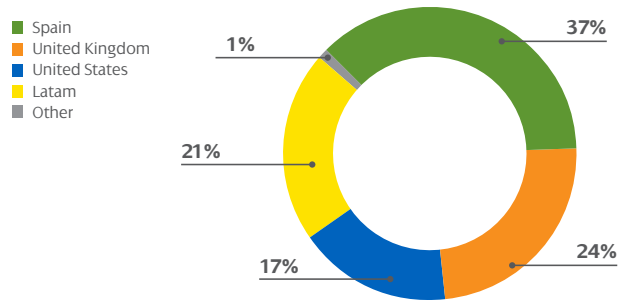
Ensure the availability of a committed, qualified workforce in a safe and stable environment

GROWTH AND GEOGRAPHICAL DIVERSIFICATION OF THE WORKFORCE

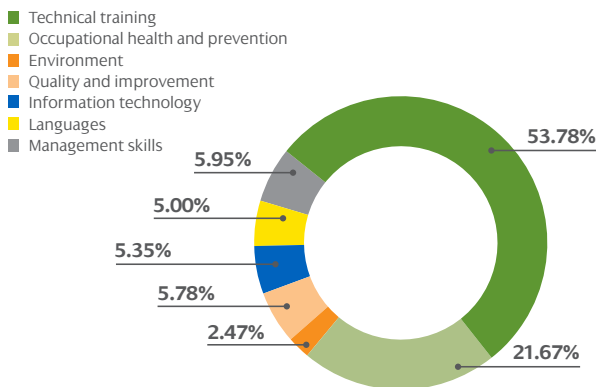
2006: 16,155 employees



2013: 30,650 employees



DISTRIBUTION OF TRAINING BY AREA IN 2013



More than one million hours of training annually. Over 75% devoted to technical and occupational risk-prevention training.

KEY FIGURES, PAGE 12

ACCIDENT RATE OF COMPANY PERSONNEL

Accident rate	2011	2012	2013
Number of accidents	650	572	486
Number of lost days	6,358	4,130	4,223
Injury rate (IR)	0.46	0.34	0.46
Occupational disease rate (ODR)	0.03	0.02	0.02
Lost day rate (LDR)	21.07	13.1	15.85

Progressive reduction in the number of accidents.

COMMITMENT TO PEOPLE



Urban sports camp for children of employees of employees (2013).



BEST COMPANY TO WORK FOR IN SPAIN AND BRAZIL

SPAIN



BRAZIL

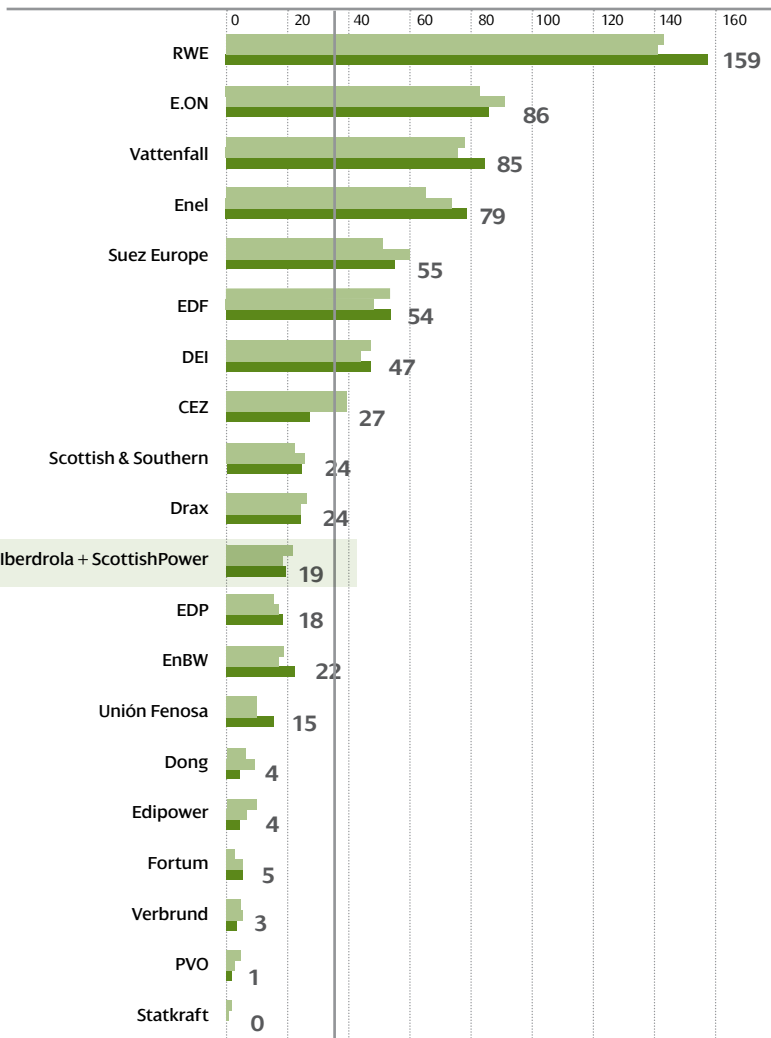


4.5 NATURAL CAPITAL

	MANAGEMENT APPROACH	2013 PRINCIPAL ACTIVITIES	OUTLOOK
Environmental management and biodiversity	<ul style="list-style-type: none"> Actively promote environmental and biodiversity management due to the repercussions thereof on the availability of natural resources and its ties to social development. Inform and raise awareness, both internally and externally, of the compatibility of the Company's activities with the protection, conservation, and sustainable use of the natural environment. 	<ul style="list-style-type: none"> Implementation of the Environmental Management Scorecard at the Group level. Development and implementation of biodiversity guidelines for new projects. Fostering and promotion of social values relating to the environment and natural resources. 	<ul style="list-style-type: none"> Development of a methodology for economic evaluation of ecosystem services and the impact on biodiversity. Bolstering of environmental risk management. Broader implementation of the ISO 14001 standard.
Pollution prevention	<ul style="list-style-type: none"> Prevent pollution and the emission of greenhouse gases through practices that reduce or eliminate the production of pollutants at source. Reduce emissions per GWh produced via the installation of desulphurisation units, the introduction of improvements to the combustion process, and the decommissioning of less environmentally efficient units. 	<ul style="list-style-type: none"> 15% reduction in intensity of CO₂ emissions per kWh produced. Increase in emission-free installed capacity. Performance of studies on the "carbon footprints" of suppliers and of employee travel, and inclusion thereof in the company's own footprint. 	<ul style="list-style-type: none"> Achieve a 30% reduction in emissions intensity by the year 2020 in comparison to 2007, a figure 20% better than the scenario suggested by the IEA. Increase the scope of independent verification of emissions. Develop innovation projects geared towards reducing pollution.
Operating excellence and energy efficiency	<ul style="list-style-type: none"> Performing activities that foster environmental conservation will enable Iberdrola to improve its competitiveness, with greater efficiency in the production and use of energy. Efficient management of scarce resources such as water is a priority for the Company. 	<ul style="list-style-type: none"> Activities aimed at continual improvement to increase energy efficiency and promote the use of environmentally friendly resources. Development of an ecodesign methodology for substations. Public water management strategy via the CEO Water Mandate and CDP Water. 	<ul style="list-style-type: none"> Development and promotion of ecodesign initiatives. Life-cycle and green purchasing analysis.
Waste management	<ul style="list-style-type: none"> Non-hazardous waste is managed via environmental management systems, which set targets for waste reduction and the use of recycled material. The production and disposal of hazardous waste is carried out in accordance with applicable law in each country. 	<ul style="list-style-type: none"> Reuse of ash and slag from coal-fired thermal power stations, based on the demand for such material. Exchange of recyclable waste for electricity bill discounts. Carry out waste minimisation plans, recycling plans, and awareness campaigns aimed at employees. 	<ul style="list-style-type: none"> Make progress in the optimisation of waste management. Draw up economic and financial analyses of the best waste management strategies.

The environmental dimension is a key factor in the concept of sustainability

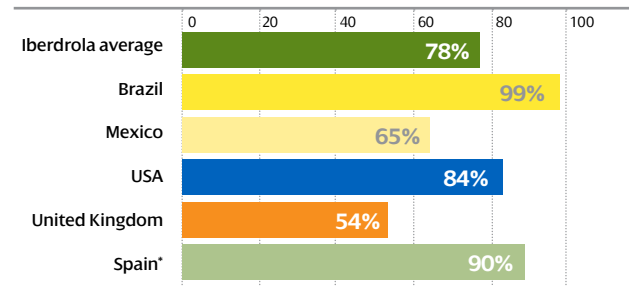
CO₂ EMISSIONS AT EUROPEAN COMPANIES IN THE SECTOR (Mt CO₂)



Average CO₂ emissions in 2012
36.55 Mt CO₂

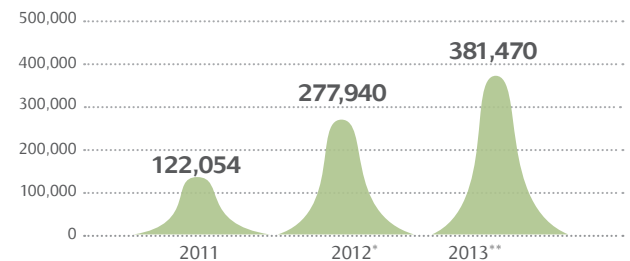
Source: "Changement climatique et Électricité - Facteur carbone européen. Comparaison des émissions de CO₂ des principaux électriciens européens" - PwC France.

PRODUCTION OF IBERDROLA PLANTS USING LOCAL ENERGY SOURCES IN THE COUNTRIES IN WHICH IT OPERATES



* Nuclear fuel acquired from the Spanish company Enusa is considered a local source.

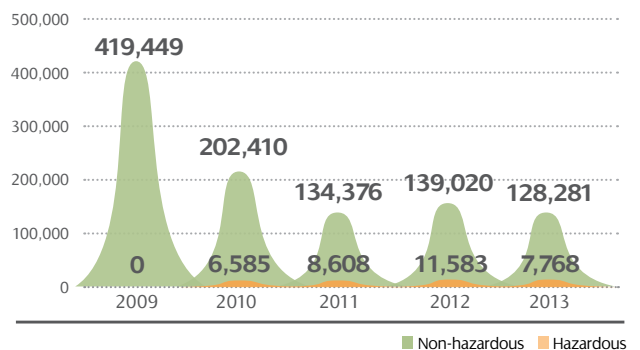
ENERGY SAVINGS OF GREEN PRODUCTS AND SERVICES (GJ)



* Includes data from Spain and Brazil.

** Includes data from Spain, United States of America, and Brazil.

VOLUME OF RECOVERED, REUSED OR RECYCLED WASTE (t)



ENVIRONMENTAL INITIATIVES

Scan the code with a QR reader to call up further information.



KEY FIGURES, PAGE 12

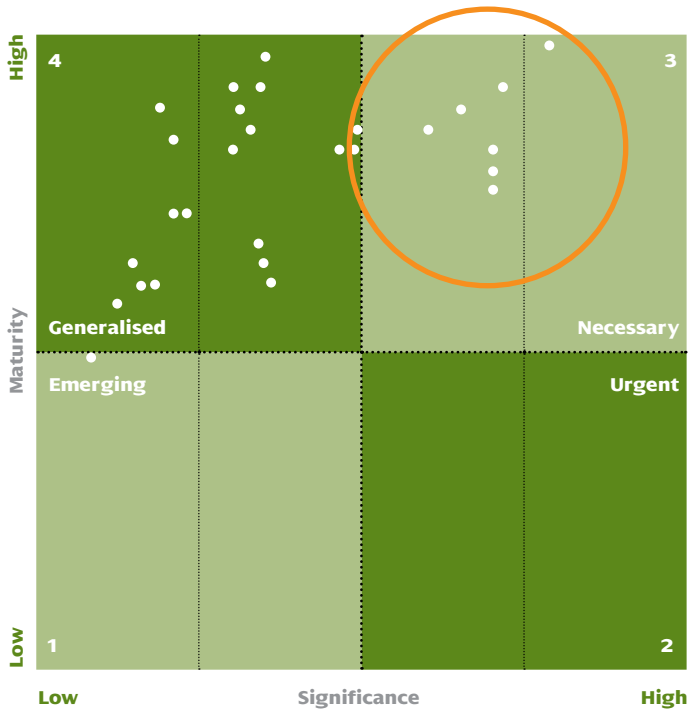
4.6

SOCIAL AND RELATIONSHIP CAPITAL

Iberdrola wants to create confidence in its environment, maintaining responsible relations with groups that affect or are affected by the activities carried out by the Company (stakeholders).

	MANAGEMENT APPROACH	2013 PRINCIPAL ACTIVITIES AND OUTLOOK
Stakeholder relations	<p>Iberdrola's strategic approach sets great store by its relations with stakeholders, giving importance to the dual facets of this relationship:</p> <ul style="list-style-type: none"> ■ In terms of social responsibility, meeting stakeholder expectations and needs. ■ In terms of reputation, managing stakeholders' perception of the Company. 	<ul style="list-style-type: none"> ■ Consolidation of channels of communication with stakeholders to identify the most important issues and provide a well balanced, reasonable response thereto. ■ Implementation of the AA1000 Assurance Standard, in accordance with the principles of inclusiveness, materiality, and responsiveness established in such standard, through a multi-annual programme deployed in the Businesses as well as in the corporate areas of the Group. The AA1000 standard will continue to be applied and refined through the Company in the coming years.
Programmes to support the community and access to electricity	<ul style="list-style-type: none"> ■ Strengthen relationships of trust with the community, through the support of local and regional governments and leading social-welfare organisations. ■ Achieve increased brand recognition and improve the Company's positioning. ■ Facilitate access to energy, both for groups with particular financial difficulties and for communities that are isolated or with limited access. 	<p>ACTIVITIES IN 2013</p> <ul style="list-style-type: none"> ■ Contribution of over €31 million to the community, measured according to the London Benchmarking Group (LBG) international standard, in the countries in which Iberdrola operates. ■ International corporate volunteering programme, with participation by over 1,200 employees in Spain, the United Kingdom, the United States, and Brazil. ■ Entrepreneurial support: over €36 million of purchases from companies in operation for less than 4 years, and €70 million in venture capital for new initiatives with high technological value. ■ Programmes and pricing to aid vulnerable groups in Spain, the United Kingdom, the United States, and Brazil. ■ Rural electrification programmes in Brazil, to which over €60 million has been allocated on a consolidated basis. ■ Launch of the "Electricity for Everyone" Unit, which aims to universalise basic energy services.
Fundación Iberdrola	<ul style="list-style-type: none"> ■ Put into practice the commitment to helping improve the quality of people's lives in the countries in which the Group operates. ■ Harmonise Iberdrola's social-welfare activities in Spain, the United Kingdom, the United States, and Latin America, through appropriate mechanisms of coordination between the companies of the Group. 	<ul style="list-style-type: none"> ■ In 2013, 46 social organisations benefited from the Social Assistance programme, and there was continued development of the Scholarship and Research Aid Programme in Energy and Environmental Research. ■ The Foundation's 2010-2014 Master Plan is still underway, with activities focusing on four areas: <ul style="list-style-type: none"> • Training and research. • Sustainability and biodiversity. • Art and culture. • Cooperation and solidarity ■ Important examples in these areas of activity are the church restoration projects in Spain and Portugal, which are part of the Atlantic Romanesque Programme, as well as sponsorship of the Scottish Green Awards for initiatives to fight climate change, and various activities in the area of biodiversity.

Strengthen ties with the institutions and companies in which Iberdrola has a presence, and improve stakeholder confidence and relations therewith



MATERIALITY ANALYSIS

Evaluation of materiality enables the issues that are most important to stakeholders to be prioritised according to their degree of significance and their maturity. These issues are represented in the upper right quadrant of the chart, and comprise the following:

- Electricity generation.
- Renewable energy development.
- Price risk management.
- Climate change strategy.
- Business opportunities.
- Government relations/public policy/lobbying.
- Customer relations management.
- Impacts on and benefits for local communities.
- Transmission and distribution.

In the *Sustainability Report 2013* Iberdrola explains the management approaches taken by the Company in regard to these significant issues and any results achieved during the financial year.

Materiality analysis allows the most important matters to be prioritised for stakeholders

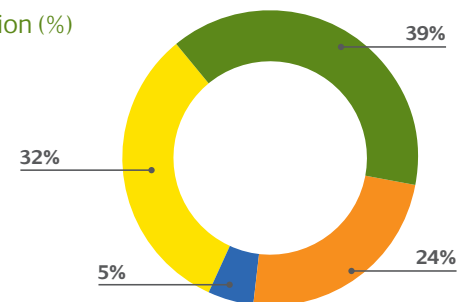
ECONOMIC VALUE DISTRIBUTED (€ M)

Item	2012	2013
Purchases from suppliers	4,830	4,359
Payments to providers of capital	2,643	2,552
Payments to government	1,390	2,417
Employee remuneration	2,391	2,384

2013 COMMUNITY SUPPORT PROGRAMMES

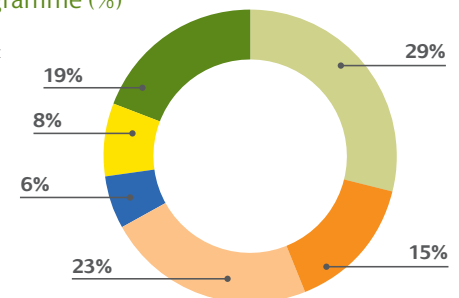
Contribution by region (%)

- Spain
- United Kingdom
- United States
- Mexico and Brazil



Contribution by programme (%)

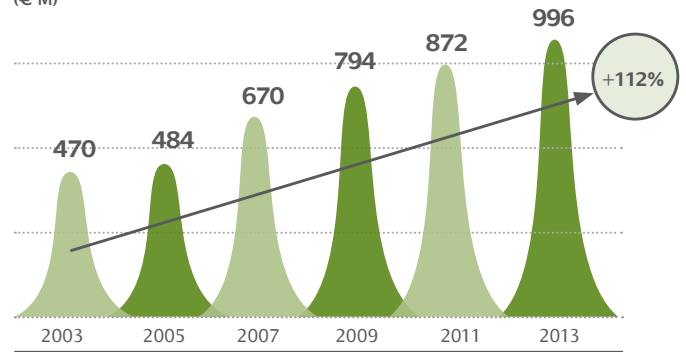
- Socioeconomic development
- Art and culture
- Education and training
- Cooperation and community service
- Energy sustainability
- Other



MANAGEMENT APPROACHES,
ACTIVITIES AND OUTLOOK

<p>Soundness and strength of brand</p>	<ul style="list-style-type: none"> ■ Manage the brand in such a way that it transmits the corporate Vision and Values and reflects the environmental commitment of the Company's strategy. ■ Consolidation of an international brand, strengthening communication and alignment under a single brand positioning strategy in the countries in which the Company operates.
<p>Reputation management</p>	<ul style="list-style-type: none"> ■ Stakeholders make up a significant element in the management of Iberdrola's reputation. ■ The Group's reputational management model assesses the degree of alignment between the Company's actions and the perceptions of its stakeholders. ■ Periodic evaluation of the Group's reputation, a process initiated in 2005, using the RepTrak international standard. ■ Development of the Reputation programme, incorporating reputation as a cultural factor of Iberdrola. ■ Specific actions to improve stakeholder confidence. ■ Progress made in reputational risk management, stemming from implementation of the Company's Reputational Risk Framework Policy. ■ Monitoring of the map of risks that have a bearing on reputation. ■ Reputational analysis of perception in social media. ■ Monitoring and management of external indices.
<p>Informational transparency</p>	<ul style="list-style-type: none"> ■ Meet the information needs of a more critical and demanding society in a globalised world with rapidly changing information technology. ■ Enhancement of the online press room, increasing the audiovisual content of the multimedia channel. ■ Active presence in the main social media.

BRAND VALUE*
(€ M)



* Source: Interbrand.

IBERDROLA ON SOCIAL MEDIA

