

Sustainability Report
2008



IBERDROLA
RENOVABLES



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RENOVABLES



2008 Sustainability Report

DISCLAIMER

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FORWARD-LOOKING STATEMENTS

This document contains forward-looking information or statements regarding IBERDROLA RENOVABLES, including information extracted from the 2008-2012 Strategic Plan that was approved by the Company's Board of Directors on June 25, 2008, the necessary communications in relation thereto having been sent to the National Securities Market Commission on June 26 and July 3, 2008. The 2008-2012 Strategic Plan may be viewed on the Company's website: www.iberdrolarenovables.es.

Forward-looking statements are not historical facts. These statements include financial projections and estimates and the underlying assumptions regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates" and similar expressions. The projections

and estimates are based on numerous subjective judgments and estimates, which may or may not be correct. Although the management of IBERDROLA RENOVABLES believes that the expectations contained in such statements to be reasonable, investors in and holders of the Company's shares are cautioned that forward-looking statements are subject to various risks and uncertainties, many of which are difficult to predict and are generally beyond the control of IBERDROLA RENOVABLES, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the public documents sent by IBERDROLA RENOVABLES to the National Securities Market Commission (including, inter alia, the prospectus registered November 22, 2007 with respect to the initial public offering of the Company's shares). Therefore, this document may not be considered an implicit or explicit guarantee regarding the accuracy or integrity of such projections and estimates, or of the future of IBERDROLA RENOVABLES. Prior results should not be taken as an indication of future results. Except as required by applicable law, IBERDROLA RENOVABLES does not assume any obligation to update any forward-looking information or statements.

IMPORTANT INFORMATION

This document does not constitute an offer to purchase, sell or exchange shares of IBERDROLA RENOVABLES, or the solicitation of an offer to purchase, sell or exchange such shares. The shares of IBERDROLA RENOVABLES may not be sold in the United States of America except pursuant to an effective registration statement under the Securities Act of 1933 or pursuant to a valid exemption from registration.



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PRESENTATION

The sustainability report according to the guidelines of the Global Reporting Initiative (GRI).

The basic goal of this Report is to offer reliable and balanced information concerning the Company's performance in meeting the main challenges raised by the concept of sustainable development. At the same time, this "Sustainability Report 2008" aims to communicate to all of the Company's stakeholders the results for Fiscal Year 2008 regarding the material aspects of the economic, environmental and social dimensions of its activities, in conjunction with the commitments assumed in the Corporate Social Responsibility Policies, which are available on the Company's website at: www.iberdrolarenovables.es.

Table of contents in accordance with the GRI.

In this report, for fiscal year 2008, IBERDROLA RENOVABLES has followed the table of contents proposed in Version 3.0 of the "Sustainability Reporting Guidelines" of the Global Reporting Initiative (GRI) due to the international prestige of the guidelines and the wide recognition thereof, and in the preparation of which GRI has relied on a large network of experts from various stakeholder groups, including business and labor organizations, NGOs, investors, auditors, and others.

Accordingly, this report corresponds to all of what are considered to be the main indicators in the guidelines, as well as most of the additional indicators. It only excludes those additional indicators that are not applicable due to the Company's main activity, the generation of energy from renewable sources.

The Company believes that this report has reached application level A+ from among the various levels defined by the GRI. This level corresponds to an advanced organization whose report has also been subject to independent external verification. This level has also been checked by GRI itself.

GRI application level.

If this information is not complete in certain instances, it is not due to a lack of transparency on the part of the Company, but rather to the unavailability of such information at the time of preparation of this report. In such cases, the abbreviation N/Av (Not Available) is used. In addition, the abbreviation N/A (Not Applicable) is specified in those cases where the indicator does not apply to the company for various reasons (e.g., the company in question did not form part of the IBERDROLA RENOVABLES Group on the relevant date, it has a limited number of employees, or there are no employees within the categories in question).

With respect to the economic and social performance indicators recommended by GRI which require the use of a calculation formula, those included in the corresponding Technical Protocols have been used.

GRI APPLICATION LEVEL

	C	C+	B	B+	A	A+
Self declared						✓
Third Party Checked						✓
GRI Checked						✓







PROFILE: WORLD LEADER IN WIND POWER

With a presence in twenty-three countries and assets in operation in the eleven of the most developed markets in the world, IBERDROLA RENOVABLES has not just cemented its position as a world leader in wind power. Besides exceeding its objectives for 2008, it has become an international standard-bearer in the production of clean energy, and has created a business model that makes available to society inexhaustible energy generation alternatives that are environmentally sustainable and that create wealth and value for society and all stakeholders.

1. STRATEGY AND ANALYSIS

1.1. Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.

2008-2012 Strategic Plan.

On June 25, 2008, the Board of Directors of IBERDROLA RENOVABLES approved its new Strategic Plan for the 2008-2012 period, which was communicated to the financial markets and to society in general.

The main objective is to position the Company as a world leader in wind energy and as an international benchmark in renewable energy, establishing a successful model that makes available to society inexhaustible alternatives for energy generation that are sustainable from an environmental point of view and that create wealth and value for all stakeholders.

IBERDROLA RENOVABLES has successfully positioned itself as world leader in wind energy and widely exceeded the goals set for 2008.

The investments referred to in the Strategic Plan will mainly be used for international expansion.

IBERDROLA RENOVABLES has a flexible business model that allows it to adapt investments according to the needs prevailing at any time and in any context, as well as to manage its asset portfolio in order to maximize value.

More complete information regarding the Strategic Plan can be found on the Company's website:

www.iberdrolarenovables.es.

Fulfillment of the Plan's objectives in 2008.

As a result of investments totaling 3,803.5 million euros in fiscal year 2008, IBERDROLA RENOVABLES has made progress towards achieving the goals established in the Strategic Plan, which has allowed it to reaffirm its world leadership in wind energy. In 2008, IBERDROLA RENOVABLES increased its installed capacity by 31% (which amounts to 2,204 MW of new capacity), reaching a total of 9,302 MW. As at December 31, installed capacity had reached 4,868 MW in Spain, 2,876 MW in the United States, 665 MW in the United Kingdom, and 893 MW in the Rest of the World.

The increase in installed capacity has allowed the Company to increase production by 71.1% to approximately 16,998 GWh, and has advanced its goals of internationalization and geographical diversification. At the end of 2008, 52% of the Company's assets were located in Spain, 31% in the United States, 7% in the United Kingdom and 10% in the Rest of the World.

All of the above has been reflected in the key economic /financial indicators of the Company, which earned net profits of 390.2 million euros at fiscal year end, a factor of 3.3 over those for the same period the previous year.

In addition, 2008 was IBERDROLA RENOVABLES' first full year as a listed company, being one of the top 10 companies by market capitalization on the Ibex 35. As announced in the Initial Public Offering (IPO), the Company will propose to the General Shareholders' Meeting the payment, charged to 2008 profits, of the first dividend in its history as a listed company. 27% of the consolidated attributable net profits will go to the parent company.

Another significant event during fiscal year 2008 was the signature by IBERDROLA RENOVABLES and GAMESA EÓLICA of the largest contract for the supply of wind turbines in the history of the wind energy industry, with a total capacity of 4,500 megawatts (MW), and which will materialize between 2010 and 2012. This contract allows IBERDROLA RENOVABLES to meet its needs for the supply of wind turbines for the coming years in order to develop its wind energy portfolio.

Furthermore, IBERDROLA RENOVABLES and GAMESA ENERGÍA have entered into a strategic agreement to pool resources for the promotion, development and operation of wind farms in Spain and in certain countries of continental Europe.

Challenges for 2009 and medium-term challenges.

IBERDROLA RENOVABLES is in an excellent position to take advantage of opportunities around the world in the short to medium term. In the first place, highly significant regulatory progress is taking place in the main countries in which the Company operates, mainly in the United States and the European Union.

Wind technology as an engine for industrial activity has been recognized by the new government administration in the United States, which has included the support of renewable energy in its Economic Stimulus Act as a central part of its short and medium-term policy.

In February 2009, the President of the United States, Barack Obama, signed the "Stimulus Bill," a package of measures aimed at reactivating the economy, which included extending Production Tax Credits (PTCs) for wind farms through 2012, the conversion thereof into Investment Tax Credits (ITCs) at the election of the investor, and the creation of federal funds managed by the U.S. Department of Energy aimed at promoting the development of renewable energy and transportation lines.

The Company has a highly flexible business model that allows it to adjust its investment decisions and maximize its asset portfolio.

This regulation, particularly with respect to the possibility of monetizing tax credits, will determine the speed at which the wind energy market develops in this country. Furthermore, progress is expected in 2009 on moving forward an Energy Bill that is very likely to include a federal Renewable Portfolio Standard (RPS) system based on certificates of origin, which will give a definitive boost to the development of wind energy in the United States.

In addition, President Obama's electoral campaign included very ambitious targets for wind energy, such as doubling the United States' production of renewable energy over the next three years. This would mean increasing installed capacity by 24,000 MW and reflects the commitment that 10% of electricity consumed in 2012 must come from renewable sources, a figure that will rise to 25% by 2025.

2008 also witnessed a very significant step towards achieving a safe, sustainable and competitive European energy policy. In December, the European Parliament approved the final text of the Climate Change and Energy Package, a series of measures that includes the European Directive on the Promotion of Energy from Renewable Sources. This package of measures

lays down three main binding goals for 2020, providing the necessary framework for development of the industry: 20% of final consumption of energy from renewable sources, a 20% increase in energy efficiency, and a 20% reduction in greenhouse gases from 1990 levels. The goal for Spain is also 20%.

IBERDROLA RENOVABLES' scale as a world wind power leader and its financial strength (with leverage of 22.4%) allow it to take advantage of these favorable circumstances and be a driving force in economic recovery and job creation on a worldwide scale.

The macroeconomic situation and the state of the financial markets make it advisable to approach 2009 with a prudent and realistic strategy. To this end, IBERDROLA RENOVABLES has a highly flexible business model that allows it to adjust its investment decisions and execute them at the right moment.

Whitelee wind farm (United Kingdom).



IBERDROLA RENOVBLES expects to invest 2,000 million euros in 2009, a figure that could be increased by up to 20%.

In this context, the Company expects to invest 2,000 million euros in 2009, a figure that could be increased by up to 20% under the appropriate regulatory, economic and financial conditions.

1.2. Description of key impacts, risks and opportunities.

The Company's commitment to sustainability is one of the main pillars of its strategy. At IBERDROLA RENOVBLES, we have made the defense of the environment a key part of our identity. This firm commitment to sustainable development allows us to implement best practices in the area of corporate responsibility with greater transparency. This translates into progress in the societies in which we operate, allowing us to contribute the maximum value to all stakeholder groups with which we have relationships.

Main impacts:

Environmental Dimension.

IBERDROLA RENOVBLES is a company principally engaged in the development, construction, management and operation of electricity generation plants that use renewable energy sources. This form of production is free of greenhouse gas emissions.

The Company is a pioneer in the Spanish electricity sector in the fight to meet the targets laid down in the Kyoto Protocol. This illustrates its firm commitment to respect for nature, which forms a part of IBERDROLA RENOVBLES' corporate essence. Through our environmental and biodiversity policies, the Company is committed to promoting environmental innovation and eco-efficiency in energy production and management, while also taking into account the effects on biodiversity of the planning, implementing and operation of its energy infrastructure.

In line with this vision and with the goals laid down in these policies, IBERDROLA RENOVBLES invested 3,592.9 million euros in renewable energy development in 2008.



All of the activities to control and reduce these impacts are described both in the part of this report dealing with the environmental dimension and on our website: www.iberdrolarenovables.es.

It is important to point out that, with respect to the development and promotion of facilities, environmental aspects are taken into account through a long management and construction process, by performing the studies required by the legislation of each country, and by assessing a project's impact on the environment of which it will form part, including the fauna, flora, climate and any other ecosystem that might be affected, in order to ensure that the project as finally implemented complies with the applicable requirements.

Social Dimension.

The transformation and internationalization of IBERDROLA RENOVABLES over the last three years has led to the appearance of new and important challenges, both internal and external, in the management of the Company's social environment.

As regards relationships with its employees, the Company continues to strengthen activities aimed at improving levels of workplace safety, training and updating knowledge, and improving mobility in order to optimize internal capacities and stimulate the opportunities for development of the workforce.

IBERDROLA RENOVABLES also places great importance on the management of relations with the communities in which it operates, promoting mechanisms for dialogue and communication and taking measures to facilitate their economic and social development, as well as encouraging employment and supply chain policies that make such development possible.

Worthy of note is the Environmental Education Program that the Company has been running in recent years at three Renewable Energy study centers, located close to wind farms. On January 15, 2009 the fourth such study center was opened at the Maranchón Wind Farm. These study centers, which have been visited by more than 55,000 people, aim to educate students and the general population about the main environmental features and benefits offered by the different renewable energies.

Economic Dimension.

The economic management of IBERDROLA RENOVABLES, as with the IBERDROLA Group, is based on three main pillars:

- The optimization of its investment capacity, ensuring the effective use of third-party and the Company's own

capital, as well as appropriate rates of return that can create value for the shareholders.

- Efficient operational management of assets, which contributes to achieving expected rates of return in a manner that is safe and sustainable over time.
- Maintaining a sound financial structure as a means of contributing to the Company's strong asset base, thus facilitating the accomplishment of its strategic objectives.

Key risks:

On April 14, 2008, the Board of Directors of IBERDROLA RENOVABLES approved its own Comprehensive Risk Control and Management Policy, together with specific risk policies in development thereof, which were updated by the Board on February 24, 2009. Risk limits associated with such policies were also approved, with periodical monitoring to ensure compliance. The Risk Control and Management System of IBERDROLA RENOVABLES has thus been formalized.

Market risks.- The IBERDROLA RENOVABLES Group's activities are subject to various market risks, such as the price of electricity in the various markets where it operates, the price of gas used both as fuel and in the activities of storage and trading, and others.

The energy management risk policies establish measures for controlling and managing the market risk of the different businesses.

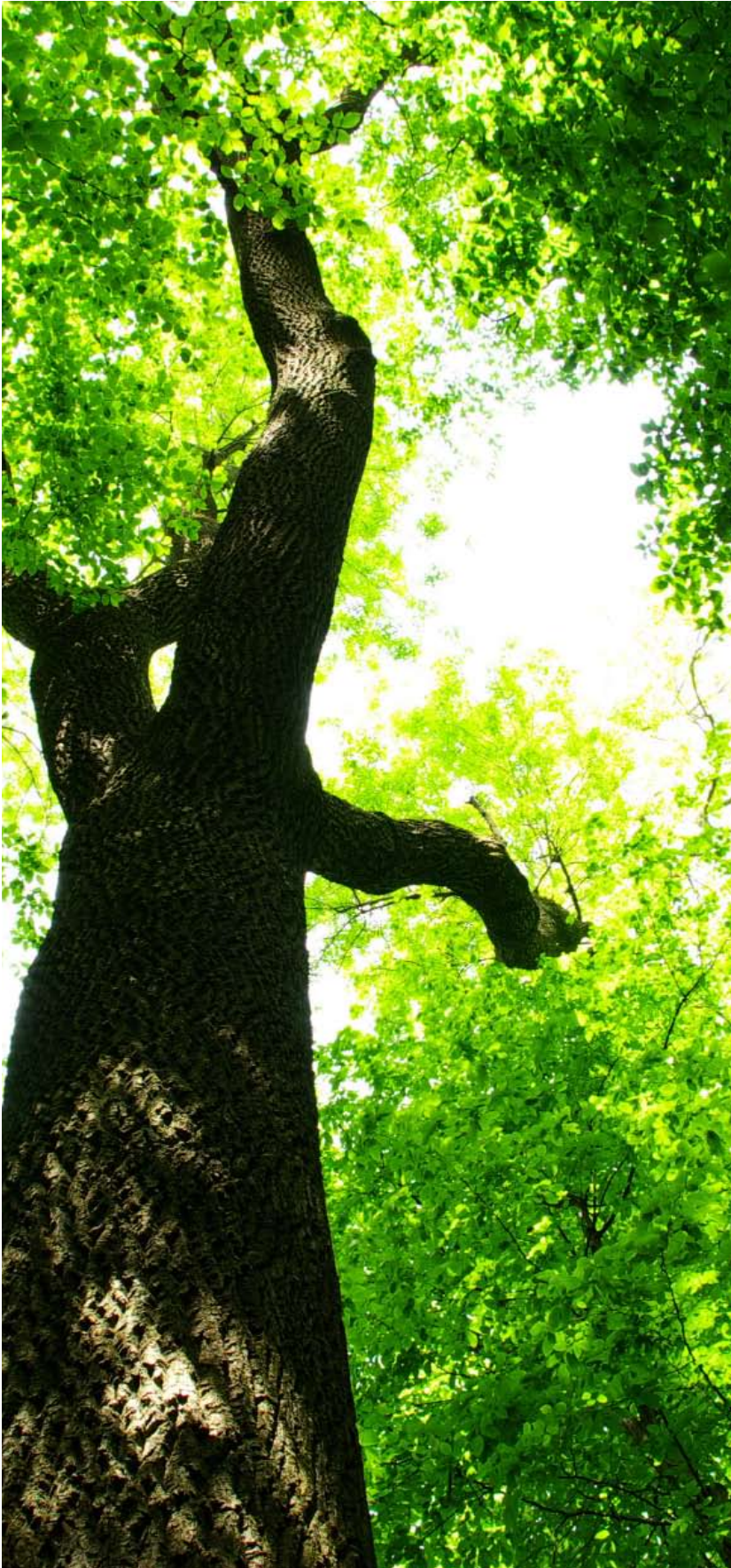
Business risks.- The activities of the IBERDROLA RENOVABLES Group are subject to various business risks, including those relating to weather conditions such as rainfall and wind.

Regulatory risks.- The companies of the IBERDROLA RENOVABLES Group are subject to a set of laws and regulations regarding compensation and other aspects of their activities in Spain and in each country where they operate. The introduction of new laws and regulations, or amendments to those in effect, can have a negative impact on the companies' activities, financial situation and operating results.

The risk policies foster continuous analysis and monitoring of regulatory changes, as well as decision-making on the basis of reasonable regulatory assumptions, at both the domestic and international levels.

Operational risks.- During the operation of all of the IBERDROLA RENOVABLES' Group activities, direct or indirect losses may occur as a result of technological failures, human error or certain external events.

IBERDROLA RENOVABLES mitigates these risks by making the necessary investments, applying operational



and maintenance procedures and programs backed by quality systems, including monitoring procedures and systems, as well as separating functions in the activities of energy trading, planning adequate staff training and education and ensuring an adequate safety policy, as established in the operational risk policy for facilities, the energy management risk policy and the security policy.

Environmental risks.- The activities of the IBERDROLA RENOVABLES Group are subject to risks relating to the existence of wide-ranging regulation and legislation, which require the performance of environmental impact studies and the acquisition of licenses and permits with environmental conditions. As with other risks, it cannot be guaranteed that:

- The competent authorities will approve the environmental impact studies.
- The required authorizations and licenses will be granted.
- There will be no public campaigns in opposition to certain projects that cause delays or modifications with respect to what was planned.
- The regulations will not be amended or interpreted in a manner that increases costs or affects projects, operations or investment plans.

In addition, there are other environmental risks inherent in the Group's activities as a result of the management of waste, landfills, emissions and ground contamination at its facilities and those that affect biodiversity, which may give rise to claims for damages, sanction proceedings, and damage to its image and reputation.

Corporate risk policies aim to mitigate environmental risks, encouraging the implementation of environmental management systems at the Company's production facilities and continuous cooperation with affected regulatory bodies and agents.

Risks relating to new investments.- All new investment is subject to various risks, whether market, credit, business, regulatory, operational or others, that can compromise a project's profitability objectives.

During the execution phase of the investments, it is worth highlighting the risks relating to the construction of new energy generation facilities, mainly wind farms, which may require permits and authorizations to be obtained from public authorities, the purchase of land or the signing of lease agreements, the execution of contracts for equipment supply, construction services, operation and maintenance, fuel supply and transport, and the execution of consumer and finance agreements. All of the foregoing may cause delays and lead to cost increases.

The investment risk policy contemplates all of these risks and establishes specific limits on forecasted returns and expected return on risk which must be met before a project can be authorized. In addition, there are specific procedures for the approval of significant investments that require the prior preparation of an investment dossier with a corresponding risk analysis.

There is also a back-testing procedure for the risk analysis of new investments in which the risk assumptions used are reviewed and conclusions reached to improve future analysis.

Risks associated with activities carried on outside of Spain.- All of the Group's activities outside Spain are also exposed, to a greater or lesser extent based on the nature thereof, to the risks described above (weather, demand, regulation, fuel and energy prices, environment, etc.). In addition, other types of risk inherent to the country in which the activity is carried out also come into play:

- Changes in a country's regulations and administrative policies.
- Imposition of monetary restrictions and other restrictions on the movement of capital.
- Changes in the commercial environment.
- Economic crises, political instability and social disturbances that affect activities.
- Public expropriation of assets.
- Fluctuations in exchange rates.

All of these risks may affect the income of international subsidiaries, their market value and the transfer of income to the Group's parent company, and are contemplated in the approved risk policies.

Reputational risk.- Corporate reputation forms part of a company's value creation cycle. In this cycle, stakeholders' perceptions of a company measure the reputational impact of the activities that it performs. The conduct of all entities belonging to IBERDROLA RENOVABLES is aligned with the vision, values and policies established within the Group.

The framework policy for reputational risk mitigation establishes the main lines of activities for managing this risk within the Group along with monitoring indicators, while the specific risk policies contemplate the same and promote activities that help to limit or mitigate them.

Financial risks.- Information concerning the financing and financial risk management policy is contained in the Financial Risk Management Policy section of the Notes to the 2008 Consolidated Annual Financial Statements, available on the Company's website:

www.iberdrolarenovables.es.

The Company's principal opportunity is the ability to invest in various renewable energy generation technologies.

Key opportunities:

The analysis of opportunities covers the development of new technologies and other energy sources. At present, the Company's activity is mainly focused on wind power. However, it is also developing production plants with other technologies such as mini-hydro, marine wind, solar thermoelectric, biomass energy, wave energy, and others.

Offshore (marine wind farms).- IBERDROLA RENOVABLES intends to develop six marine wind energy projects off the Spanish coast, reaching a total capacity of 3,000 MW, with locations in Cádiz, Castellón and Huelva. In accordance with the current regulations, the Company has presented its proposals to the Ministry of Industry, Tourism and Trade setting forth the remunerative framework for these facilities. In the medium-term, IBERDROLA RENOVABLES expects offshore wind power to be a mainstay of the Company's growth.

Specifically, IBERDROLA RENOVABLES is performing studies in relation to the request for authorization of the following projects: Costa de la Luz (Huelva), Punta del Gato (Huelva), Punta de las Salinas (Castellón), Costa de Azahar (Castellón), Costa de la Luz (Cádiz) and Banco de Trafalgar (Cádiz). Each plant will have an estimated capacity of 498 MW.

These facilities would commence operations during the 2011-2015 period, for which reason they are not included in IBERDROLA RENOVABLES' 2008-2012 Strategic Plan, and their capacity is additional to the Company's current portfolio of projects.

Regarding projects that IBERDROLA RENOVABLES is carrying out in the United Kingdom, it is worth noting that clearance has been given to the construction in West of Duddon Sands of the first offshore wind farm of the Scottish subsidiary, SCOTTISH POWER RENEWABLES. Located 14 kilometers southwest of the Barrow-in-Furness coastline, this facility will produce a total of 500 MW, sufficient to supply more than 372,000 homes. The wind farm, which will be jointly developed by SCOTTISH POWER RENEWABLES, DONG Energy and Eurus Energy, will have 139 turbines, two marine substations and one land substation. Another project underway in the United Kingdom aims to produce an additional 35 MW at the Shell Flats offshore wind farm.

In the medium term, offshore wind power will be one of the mainstays of IBERDROLA RENEWABLES' growth.

In addition, IBERDROLA RENEWABLES has been awarded an exclusive contract to investigate the possibility of setting up an offshore wind farm to the west of Argyll and the Isle of Tiree, in Scotland. It is estimated that the facility could generate between 500 and 1,800 MW and supply energy to between 270,000 and one million families. The land is managed by the Crown Estate, the agency entrusted with handling real estate owned by the British Royal Family, and the contract was awarded through a tender process organized by Scottish Territorial Waters.

IBERDROLA RENEWABLES, through its subsidiary SCOTTISHPOWER RENEWABLES, has agreed with the Swedish company Vattenfall to make joint offers in the third round of offshore wind farm development in the United Kingdom.

Finally, the Company is also involved in the development of various facilities in Germany and France.

Thermosolar Energy.- The Company's portfolio includes the development of twelve thermoelectric solar energy projects with parabolic cylinder collector technology, each with a capacity of 50 MW.

Meteorological stations have been set up to measure solar resources at the Sevilla, Ciudad Real, Badajoz, Albacete and Teruel projects. In addition, we are participating in a 3 MW Direct Steam Generation (DSG) R&D project.

This portfolio of thirteen projects adds up to a total capacity of 603 MW, located in the regions of Extremadura, Castilla y León, Andalusia, Castilla-La Mancha, Murcia and Aragon.

In 2009, the first thermo-solar plant, producing 50 MW, is expected to start operating in Puertollano. It is currently in the testing phase. This plant is 90% owned by IBERDROLA RENEWABLES and 10% owned by the Energy Diversification and Saving Institute (*Instituto para la Diversificación y Ahorro de la Energía*) (IDAE).

Photovoltaic Energy.- IBERDROLA RENEWABLES currently has two plants operating with this technology, one in Castilla-La Mancha and the other in Greece.

Biomass.- Projects will be developed on a very selective basis, and always subject to long-term raw material supply guarantees. IBERDROLA RENEWABLES has plans in its projects portfolio to install three forest biomass facilities in Spain, producing a total of 25 MW. These facilities are located in the municipalities of Somozas (La Coruña), Archidona (Málaga) and Corduente (Guadalajara), producing 8 MW, 15 MW and 2 MW, respectively.

In 2008, the construction of the Corduente biomass plant began. This will be the first facility in Spain to use forest waste to generate electricity.

This new infrastructure, which involves an investment of approximately 6 million euros, will add value to IBERDROLA RENEWABLES, significantly contributing to research into the generation of electricity from biomass.

In this regard, it is expected that the plant will use approximately 20,000 tons of forest residue per year, to be obtained from the cleaning and pruning of the Alto Tajo Nature Park, thus helping to avoid fires and plagues.

Marine Energy.- 2008 saw the start of processes with the Scottish Government and the Autonomous Assembly of Northern Ireland for three coastal facilities, two in Scotland (Pentland Firth and The Sound of Islay) and another in Northern Ireland (North Antrim). Through these facilities, the Company intends to develop the largest wave energy projects in the world. The goal is to start the projects in 2011.

The plants could have between five and twenty wave turbines each, with a per-unit capacity of 1 MW, giving a possible total installed capacity of 60 MW. This is sufficient green energy to supply the needs of some 40,000 homes.

The turbines will undergo final testing under the specific conditions of the Scottish coast, prior to the full-scale installation of this technology at the above-mentioned plants in 2011.

IBERDROLA RENEWABLES, as a pioneer in the development of marine technology, is involved in the "Pelamis Project" (whose name comes from the technology used) off the coast of the Orkney Islands in northern Scotland. This Project consists of four 150 meter-long floating generators known as sea snakes, each with a capacity of 750 kW. This and other Company initiatives are being developed at the European Marine Energy Center (EMEC), located in northern Scotland.

Regarding another marine energy development project, the first buoy of the Santoña (Cantabria) pilot wave

energy plant was launched in 2008, which will make it the first of its kind in Europe.

It is expected that the plant, located four kilometers off the coast of Santoña, will be composed of 10 buoys. The nine remaining buoys, which will be launched in a subsequent phase, will have a capacity of 150 kW. When the 10 buoys are in operation, this facility's annual production of electricity will be approximately equal to the domestic consumption of approximately 2,500 homes.

The joint venture that is developing the plant, IBERDROLA ENERGÍAS MARINAS DE CANTABRIA, S.A., is jointly owned by the Company (60%), TOTAL (10%), Ocean Power Technologies (OPT) (10%), IDAE (10%) and *Sociedad para el Desarrollo de Cantabria* (SODERCAN) (10%). The first-phase budget, which includes the marine electricity infrastructure (and which will be installed later), totals approximately 3 million euros.

Gas-cycle plants and storage.- In 2008, IBERDROLA RENOVABLES signed an agreement to sell to Constellation Energy the West Valley gas plant, with a 200 MW capacity, located close to Salt Lake City (Utah, United States), for 87.5 million dollars (approximately 56.5 million euros).

The Company currently has 2 gas-cycle plants located in the United States with a total capacity of 606 MW (100 MW at the Klamath Peaking Plant and 506 MW at the Klamath Cogeneration Plant).

The Company also signed a contract in 2008 for the purchase of Tenaska Power Fund from Caledonia Energy Partners, the owner of the Caledonia gas storage facility, which is located in northwestern Mississippi (United States). The amount of the transaction was approximately 287.3 million dollars (182.5 million euros) after adjusting the clauses contained in the purchase agreement.

The Caledonia facility, strategically connected to the Tennessee gas network, has a usable capacity of 330 million cubic meters (bcm) of gas.

After the purchase, the Company has four facilities with a total capacity of 1.36 bcm. In addition, it has 2.30 bcm of capacity either contracted or under management.

The Company also owns two storage facilities under development: Enstor Waha Storage and Transportation, L.P. ("Waha"), located in western Texas, and Enstor Houston Hub and Storage Transportation, L.P. ("Houston Hub"), located close to Houston, Texas.

There is also a series of projects at an early stage of development as well as potential acquisitions of both projects in development and operational facilities.

Pilot wave energy plant at Santoña (Cantabria).



2. ORGANIZATIONAL PROFILE

2.1. Name of the organization.

IBERDROLA RENOVABLES, S.A.

2.2. Primary brands, products and/or services.

IBERDROLA RENOVABLES is a Company principally engaged in the development, construction and operation of generation plants that use renewable sources of energy, as well as the sale of electricity produced thereby. The Company's activities currently focus on wind energy as well as mini-hydro and thermosolar energy. It has also commenced development of other technologies such as biomass and wave energy.

IBERDROLA RENOVABLES is also active in the storage and wholesale purchase and sale of natural gas through Enstor Operating Company, as well as electricity generation in the United States, concentrating on two sectors: the construction, start up and ownership of natural gas storage facilities and the wholesale purchase and sale of natural gas (purchase, transport, storage and sale of gas).

IBERDROLA RENOVABLES is a multinational company with the trademarks set forth in the table below, which reflect the vision and corporate values on which the Company's strategy is based.

The following table sets forth the Company's main operating data at the end of fiscal year 2008:

Operating Data		2008	2007	Dif 08-07	%
Installed capacity	MW	9,302	7,099	2,203	31.0%
Wind Spain	MW	4,526	4,229	297	7.0%
Wind USA	MW	2,876	1,539	1,337	86.9%
Wind UK	MW	665	382	284	74.3%
Wind Rest of the World	MW	893	607	286	47.1%
Mini-Hydro	MW	342	342	-	0.0%
Gas storage	bcm	1.36	1.03	0.33	32.0%
Gas storage	bcm	1.36	1.03	0.33	32.0%
Production	GWh	16,998	9,935	7,061	71.1%
Wind USA	GWh	5,409	1,071	4,338	405.0%
Wind UK.	GWh	1,227	244	983	402.9%
Wind Rest of the World	GWh	1,321	1,011	310	30.7%
Mini-Hydro	GWh	536	542	(6)	(1.1%)

IBERDROLA RENOVABLES' TRADEMARKS AND ITS GOODS AND SERVICES

Renewable energy production in:



Spain, Germany, France,
Italy, Mexico & Brazil



Europe, Asia, USA
& Canada



UK



Greece

Activities related to natural gas: exploitation and development of the Company's own storage assets, purchase/sale, and natural gas brokerage activities in the USA



INSTALLED CAPACITY AT DECEMBER 31, 2008

	Installed Capacity (MW)	% installed capacity
Wind Power	8,960	96.3
Spain	4,526	48.7
The USA	2,876	30.9
The UK	665	7.1
Rest of the world	893	9.6
Mini-Hydraulic Energy	342	3.7
Total Renewable energies	9,302	100

PROJECT PORTFOLIO AT YEAR-END 2008

MW	Total Project Portfolio	Strategic Agreement Contribution	Potential	Probable	Practically Certain
Wind	54,115	~10,000	29,363	12,542	2,210
Spain	12,859	~4,750	5,433	1,922	754
USA	22,600	0	13,851	8,200	549
UK	5,151	0	4,078	634	439
RoW	13,505	~5,250	6,001	1,786	468
Other Renewables	1,002	0	607	340	55
Spain	907	0	520	335	52
UK	3	0	0	3	0
RoW	92	0	87	2	3
TOTAL	55,117	~10,000	29,970	12,882	2,265

As of year-end 2008, IBERDROLA RENEWABLES owns two gas-cycle plants in the United States with an installed capacity of 606 MW.

USA	(MW)
Klamath Generating Plant	100
Klamath Cogeneration	506
Total	606

The Company also has four gas storage facilities:

USA	BCM
Enstor Katy Storage (Texas)	0.59
Enstor Grama Ridge Storage (New Mexico)	0.22
Freebird (Alabama)	0.22
Caledonia (Mississippi)	0.33
TOTAL OWNED CAPACITY	1.36
TOTAL MANAGED OR CONTRACTED CAPACITY	2.30
TOTAL CAPACITY	3.66

For more detailed information regarding the financial/ economic and operating trends of the Company, see the 2008 Annual Financial Information published on the Company's website: www.iberdrolarenovables.es.

2.3. Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures.

The activities contemplated in IBERDROLA RENOVABLES' corporate purpose are conducted through a group of companies guided by a common general strategy, from which synergies and returns are expected to be obtained for all business units and which is implemented through the respective organizational and corporate structure.

The organizational model is based on the decentralized business units and the centralized corporate governance and control functions listed below:

Position	Name
Chairman	Mr. José Ignacio Sánchez Galán
Chief Executive Officer	Mr. Xabier Viteri Solaun
Assistant Chief Executive Officer	Mr. Estanislao Rey-Baltar Boogen
Governance Divisions	
Office of the General Secretary of the Board ¹	Ms. Ana Isabel Buitrago Montoro
Corporate Divisions	
Office of the General Secretary	Ms. Ana Isabel Buitrago Montoro
Economic and Financial	Mr. José Ángel Marra Rodríguez
Corporate Resources	Mr. Álvaro Delgado Piera
Markets & Prospects	Ms. M ^a Ángeles Santamaría Martín
Administration & Control	Mr. Rafael de Icaza de la Sota
Business Divisions	
Operations	Mr. José Joaquín Santamaría Tamayo
Spain	Mr. Víctor Manuel Rodríguez Ruiz
United Kingdom	Mr. Keith Stuart Anderson
United States	Mr. Ralph Currey
Rest of the World	Mr. Jamie Wilson
Internal Audit Division	Ms. Sonsoles Rubio Reinoso

¹ As Secretary of the Board reporting to the Board of Directors

2.4. Location of organization's headquarters.

The registered office of IBERDROLA RENOVABLES is located at: Calle Menorca, 19, planta 13. CP 46023, Valencia Spain

2.5. Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.

IBERDROLA RENOVABLES is present in 23 countries, in terms of megawatts in operation, portfolio of projects and offices open. The map below shows the countries in which the Company has installed capacity, portfolio of projects and offices open at the end of fiscal year 2008.

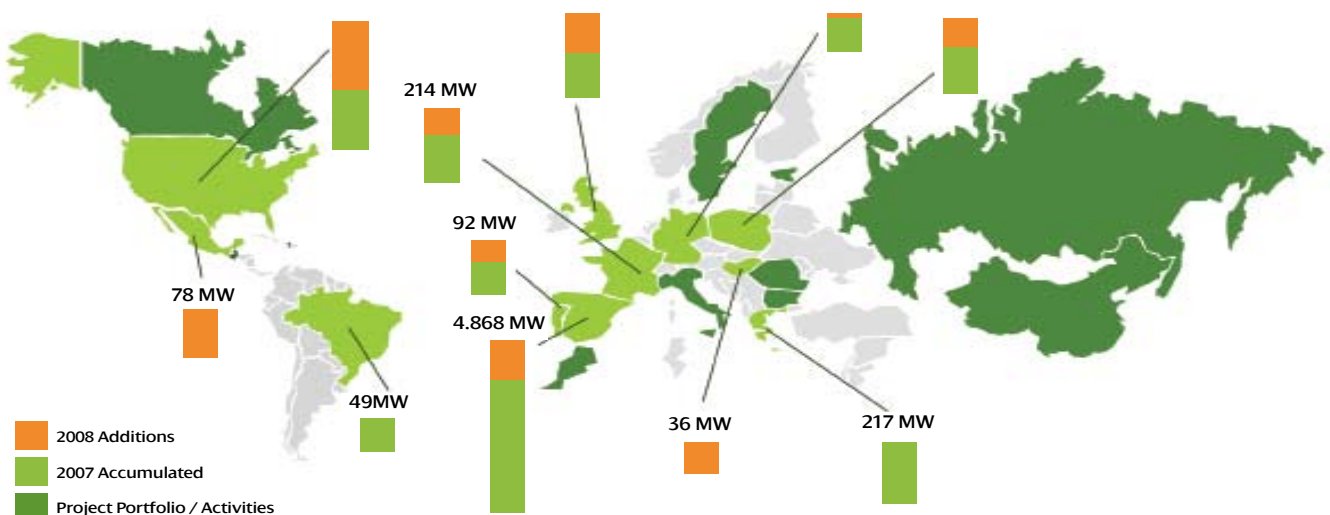
For purposes of this report, IBERDROLA RENOVABLES' most significant activities take place in Spain, the United Kingdom, the United States, Greece, France and Poland.

2.6. Nature of ownership and legal form.

IBERDROLA RENOVABLES is a sociedad anónima (corporation) incorporated under Spanish law.

At the date of publication of this report, IBERDROLA RENOVABLES' share capital amounted to 2,112,032,450. This capital is divided into 4,224,064,900 shares, each having a par value of 0.5 euro. Given that the shares are represented by book entries and are listed on the Spanish Stock Markets, it is not possible to know the exact stake

PRESENT IN 23 COUNTRIES AND WITH ASSETS IN OPERATION IN THE 11 MOST IMPORTANT MARKETS



Data communicated to the CNMV; the discrepancy with respect to the Rest of the World in the table "Installed capacity at December 31, 2008" is due to rounding.

of each shareholder in the share capital. At the date of this report, the only significant shareholder in the Company is IBERDROLA, S.A., which holds 80% of the share capital.

2.7. Markets served.

In the countries in which IBERDROLA RENOVABLES operates, provided in section 2.5, the reporting companies provide the products and services described in section 2.2, among which the principal activity is the generation of electricity from renewable sources, mainly wind. The same types of products and services will be provided in other countries should the appropriate legal, economic and social circumstances arise, in line with the company's strategic approach.

2.8. Scale of the reporting organization.

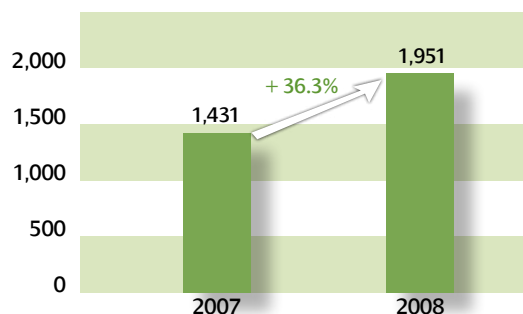
The scope of this point differs from the scope of the report parameters established in section 3.6 (Boundary of the Report), since it includes data for all of the countries in which the IBERDROLA RENOVABLES Group operates.

NUMBER OF EMPLOYEES *

2008	2007	2006
1,951	1,431	416

WORKFORCE*

(Number of persons)



*IBERDROLA RENOVABLES did not exist as an independent company in 2006. The 2006 workforce data provided under "Labor Practices and Decent Work" corresponds to companies previously included within IBERDROLA that later became part of the IBERDROLA RENOVABLES Group, as indicated in section 3.6, Boundary of the report.

*In all countries in which IBERDROLA RENOVABLES is present.

NET SALES

(in thousands of euros)

2008	2007	2006
2,030,317	953,015	N/A

The Company's most significant activities take place in Spain, the United Kingdom, the United States, Greece, France and Poland.

TOTAL CAPITALIZATION, IN TERMS OF DEBT AND EQUITY

(in thousands of euros) ²

	2008	2007	2006
Subscribed capital	2,112,032	2,112,032	N/A
Shareholders' equity of parent company	11,188,279	10,918,454	N/A
Financial debt and other non-current debts payable	3,237,321	1,076,500	N/A

² Data extracted from the 2008 Consolidated Annual Financial Statements.

TOTAL ASSETS

(in thousands of euros)

	2008	2007	2006
	20,216,152	17,655,199	N/A

BENEFICIAL OWNERSHIP

IBERDROLA S.A. owns 80% of the share capital of IBERDROLA RENOVABLES.

Breakdown by country/region of the following:

SALES, OTHER OPERATING REVENUE AND FINANCIAL REVENUE

(in thousands of euros)

	2008	2007	2006
Spain	938,863	617,434	N/A
United Kingdom	157,105	33,935	N/A
United States	951,795	262,669	N/A
Rest of the World	130,022	94,798	N/A
IBERDROLA RENOVABLES Group	2,177,785	1,008,836	N/A

COSTS BY COUNTRIES/REGIONS THAT REPRESENT 5% OR MORE OF TOTAL REVENUE

(in thousands of euros)

	2008	2007	2006
Spain	376,416	412,616	N/A
United Kingdom	107,800	26,953	N/A
United States	751,135	267,083	N/A
Rest of the World	102,583	67,805	N/A
IBERDROLA RENOVABLES Group	1,337,934	774,457	N/A

More information on the Company's website:

www.iberdrolarenovables.es.

IBERDROLA RENOVABLES is rated on the most significant indexes and comparative studies relating to sustainability.

2.9. Significant changes during the reporting period regarding size, structure or ownership of the organization.

During fiscal year 2008, the most significant change regarding size, structure and ownership was the announcement on July 1 of IBERDROLA RENOVABLES' voluntary public tender offer for the Greek company Rokas, covering all of the common and preferred stock that it did not already own.

Since February 25, 2009, following the completion of a squeeze-out (the compulsory sale of all common and preferred shares that it did not possess after the voluntary public tender offer), IBERDROLA RENOVABLES has owned 100% of the Rokas Group.

The Company thus confirmed its commitment to the Greek market, in which it has been present since 2004, when it purchased 21% of the common shares of the Rokas Group. Since then, the Company has gradually increased its presence in the Greek wind energy market.

2.10. Awards received in the reporting period.

IBERDROLA RENOVABLES is rated on various indexes and comparative studies relating to sustainability. The most significant are the following:

Sustainability Indexes	Position
FTS4Good Ibex Index	First company in the industry admitted to index. Acknowledges the appropriate systems and policies to manage environmental, social and ethical risks.
The European Renewable Energy Index (ERIX)	Third place among the top ten European renewable energy companies.
S&P Global Clean Energy Index (SPGCLEN)	Placed first among renewable energy companies in the world.
Merrill Lynch Renewable Energy Index (ML Renewable Energy)	Second-ranked renewable energy company in this index.
Europe Energy Alternate Sources Index (BEENRG)	Twentieth place in the ranking of alternative energy companies.
Dow Jones Sustainability Index (DJSI)	IBERDROLA RENOVABLES, as a Company belonging to the IBERDROLA Group, is included in the DJSI. IBERDROLA is the world leader among utilities on the prestigious Dow Jones Sustainability Index 2008, which sets the global benchmark in measuring the contribution of sustainable development companies.

Furthermore, the principal awards and recognitions received in 2008 are listed below:

Recognition	Given By
AMPE 2008 Award for the best newspaper advertising campaign of the year. AMPE Silver Newspaper Award	Asociación de Medios Publicitarios en España (AMPE).
Best-positioned company for its concern for the environment and society	Future Brand.
Award for best Initial Public Offering	"Award for the best investment products." Mi Cartera de INVERSIÓN.

Recognition	Given By
Recognition of the Application of Clean Technologies in the 'XIV Premio Ones Mediterrània 2008' Awards for the Santoña wave energy project	The Catalanian NGO Mare Terra Fundació Mediterrània.
Best legal team of a European company in the "Regulated Non-Financial Sectors" category	2008 European Counsel Awards.
"Fourth Culture" Regional Prize for Energy Projects - "Energy and Economic Impact" - awarded to the CORE	The Department of Industry and the Information Society of the Castile-La Mancha Regional Government.
Environmental Management and Security Best Practices for Klamath Co-generation Plant (City of Klamath Falls, Oregon)	Combined Cycle Journal.
IBERDROLA RENEWABLES recognized as "Best of the Best"	Combined Cycle Journal.
AWEA Commercial Achievement Award to IBERDROLA RENEWABLES for its creative contributions in relation to sales of renewable energies	American Wind Energy Association (AWEA).
Shiny Apple Award for the Dillon wind energy project (Palm Springs wind farm)	Palm Springs Unified School District, Riverside County, California.
Prism Award for community relations efforts in relation to the Dillon project	Public Relations Society of America (Los Angeles chapter).
Environmental Work Category	38th place among the 100 best companies to work for in Oregon (USA) Oregon Business Magazine.
OSHA SHARP recognition plaque and banner for Pacific Klamath Energy	Safety and Health Achievement Recognition Program (SHARP). In collaboration with OSHA.
George Darr RNP Clean Energy Award to IBERDROLA RENEWABLES ESTADOS UNIDOS for its services in the renewable energy field	Renewable Northwest Project.
IBERDROLA RENEWABLES awarded second-best advertising campaign in 2007	Actualidad Económica.
Best business initiative in Cantabria for the "Waves of Santoña" project	Actualidad Económica.
Recognition to IBERDROLA RENEWABLES for significant efforts developing large-scale renewable energy projects	Ernst & Young and Euromoney.
Prize for the Best Business and Management Trajectory	Dinero Magazine.
IBERDROLA RENEWABLES, the leading company for environmental awareness. 5th place in the ranking of companies that will be most successful in the years ahead	KAR (Key Audience Research) Study.
2008 Company of the Year Award	Sixth annual El Boletín awards.
Best Project Developer Award	Environmental Finance Magazine.

Report Profile

3. REPORT PARAMETERS

3.1. Reporting period for information provided.

2008

3.2. Date of most recent previous report.

2007

3.3. Reporting cycle.

Annual

3.4. Contact point for questions regarding the report or its contents.

General questions regarding this report may be addressed by mail or by telephone to:

Corporate Headquarters

IBERDROLA RENOVABLES

Calle Menorca, número 19, planta 13
46023 Valencia.

Tel: +34 963.884.588

Fax: + 34 963.884.589

Offices in Madrid

IBERDROLA RENOVABLES

Vía de los Poblados, 3
Parque Empresarial Cristalía, Edif, 9
28033 Madrid

Tel: +34 91 577 65 65

Fax: +34 91 364 26 24

or by e-mail to:

informacion@iberdrolarenovables.es

information@iberdrolarenovables.es

The Company's website (www.iberdrolarenovables.es), under "Contact Us", provides the addresses and telephone numbers of the various IBERDROLA centers worldwide.

Report scope and boundary

3.5. Process for defining report content.

This document is the second Sustainability Report prepared by IBERDROLA RENOVABLES. The Company's goal is to progressively expand the annual information about its activities and its results, making successive improvements to the economic, environmental and social information.

The information prepared by IBERDROLA RENOVABLES is addressed to society as a whole, although the Company is aware that the main users thereof will be financial analysts and investors, social organizations, and persons and organizations interested in the evolution of the concepts of sustainability and corporate social responsibility.

3.6. Boundary of the report.

In order to define the boundary of this report, IBERDROLA RENOVABLES has followed the recommendations set forth in the GRI's Boundary Technical Protocol. Section 2.3 above contains a description of the subsidiaries of the Renovables Group. The information provided in this report has the following scope:

Regarding economic performance, the quantitative information available covers all of IBERDROLA RENOVABLES' subsidiaries and affiliates. The economic information included in this Sustainability Report comes from the "2008 Consolidated Financial Statements."

As regards environmental and social performance, the quantitative information provided covers those subsidiaries that operate primarily in the renewable energy generation and gas industries and are thus deemed to have a significant impact on the environmental or social area. These companies are as follows:

- ✓ IBERDROLA RENOVABLES, S.A., in Spain.
- ✓ IBERDROLA RENEWABLES Holdings, Inc., in the United States.
- ✓ IBERDROLA RENEWABLES INC., in the United States.
- ✓ Enstor, Inc., in the United States.
- ✓ SCOTTISHPOWER RENEWABLES ENERGY HOLDING LTD, in the United Kingdom.
- ✓ SCOTTISHPOWER RENEWABLE ENERGY LIMITED, in the United Kingdom.
- ✓ C. ROKAS S.A., in Greece.
- ✓ ENERGIAKI ALOGORACHIS ANONIMI ETERIA, in Greece.
- ✓ IBERDROLA RENEWABLES POLSKA SP ZOO, in Poland.
- ✓ IBERDROLA RENOVABLES FRANCE, SAS, in France.

In order to define the boundary of this report, IBERDROLA RENOVABLES has followed the recommendations set forth in the GRI's Boundary Technical Protocol.

For purposes of this report, the following terms have the meaning set forth below:

- ✓ “IBERDROLA RENOVABLES” or the “Company”: the Spanish company IBERDROLA RENOVABLES, S.A., parent company of the IBERDROLA RENOVABLES Group.
- ✓ “IBERDROLA RENOVABLES Group” or the “Group”: IBERDROLA RENOVABLES (as parent company) together with the group of IBERDROLA RENOVABLES’ subsidiaries with the most significant operations, located in the United States, the United Kingdom, Greece, Poland and France, that form the reporting boundary of this report and are referred to in the preceding paragraph.
- ✓ “European Union”: the region encompassing the information for companies of the IBERDROLA RENOVABLES Group located in Spain, the United Kingdom, Greece, Poland and France.
- ✓ “North America”: the region encompassing the information on IBERDROLA RENEWABLES in the United States.

Where data is offered in relation to fiscal year 2006, the information corresponds to the former companies that later become part of the IBERDROLA RENOVABLES Group.

IBERDROLA RENOVABLES holds indirect interests in the following companies located in jurisdictions regarded as tax havens under the provisions of Royal Decree 1080/1991, of July 5 (see table).

The standards defined in connection with the boundary of this report also apply to these entities. Operations are carried out by these companies pursuant to Spanish legislation and applicable international laws, and in no event do such companies engage in tax evasion, money laundering or the financing of unlawful activities. As provided in the Regulations of the Board of Directors of IBERDROLA RENOVABLES, the Board has reserved for itself the power to adopt resolutions regarding the creation or acquisition of interests in special purpose entities or entities registered in countries or territories regarded as tax havens, after a report from the Audit and Compliance Committee.

3.7. State any specific limitations on the scope or boundary of the report.

Based on the standards set forth in section 3.6, IBERDROLA RENOVABLES believes that this Report reflects the economic, environmental and social performance of its corporate group in a reasonable and balanced manner.

Corporate Name	Nationality	Activities
Rokas Aeoliki Vorios Cyprus Ltd.	Republic of Cyprus	This subsidiary, in which C. Rokas RENEWABLES (IBERDROLA RENOVABLES Group) holds a 75% stake, is dedicated to wind power generation in the Republic of Cyprus.





3.8. Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.

The IBERDROLA RENOVABLES Group owns 100% of all of the subsidiaries coming within the scope of this report and therefore it is not necessary to consolidate the information based on the percentage of equity interests held.

3.9. Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicator and other information in the report.

The exchange rates set forth in the following chart have been applied in order to consolidate economic data within the economic and social information, using the average exchange rate for activities conducted throughout the year and the year-end exchange rate for the parameters evaluated at the end of the fiscal year.

Exchange rate at fiscal year-end

Euro	US dollar	Pound sterling
2007	1.4721	0.7334
2008	1.3917	0.9525

Average annual exchange rate

Euro	US dollar	Pound sterling
2007	1.3705	0.6846
2008	1.3498	0.9084

3.10. Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.

Generally, IBERDROLA RENOVABLES has not deemed it necessary to restate the information contained in prior reports due to changes in its corporate structure. In those indicators in which such restatement might provide significant information, such circumstance will be noted and the corresponding information will be supplied.

3.11. Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.

There are no significant changes in the reporting methods compared to previous periods.

GRI Content Index

3.12. Table identifying the location of the Standard Disclosures in the report.

This report follows the order of sections established in the GRI Guidelines, and its table of contents reproduces the table of contents of the report.

Assurance

3.13. Policy and current practice with regard to seeking external assurance for the report.

IBERDROLA RENOVABLES subjects its annual information to external independent verification: the annual financial statements and the management reports (both individual and consolidated with those of its subsidiaries), as well as the Sustainability Report for fiscal year 2008, have been audited by an independent external auditor. IBERDROLA RENOVABLES has hired two different audit firms to carry out these verifications.

Annex 2 contains the report on the external verification of this report.

IBERDROLA RENOVABLES subjects its annual information to external independent verification.

4. GOVERNANCE, COMMITMENTS, AND ENGAGEMENT

Governance.

4.1. Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.

Management Structure.

According to current Article 26 of the By-Laws, the management of the Company is vested in “a Board of Directors, an executive committee called the Executive Committee (*Comisión Ejecutiva Delegada*), and, if any and if agreed to by the Board of Directors, a Chief Executive Officer (*Consejero Delegado*).”

Board of Directors

At the date of this report, the Board of Directors is composed of 15 Directors, the maximum number established by Article 30 of the By-Laws. The detailed information set forth below also identifies the Secretary, the Assistant Secretary and the Legal Counsel to the Board of Directors.

The General Secretary and Secretary of the Board of Directors (non-Director): Ms. Ana Isabel Buitrago Montoro.

Assistant Secretary of the Board of Directors (non-Director) and Legal Counsel: Ms. Regina Reyes Gallur.

Section B.1.19 of the 2008 Annual Corporate Governance Report contains detailed information on the appointment, re-election, evaluation and removal of Directors.

In fiscal year 2008, the Board met with appropriate frequency in accordance with the provisions of Article 33 of the Regulations of the Board of Directors of IBERDROLA RENOVABLES. Specifically, it has complied with the provision of meeting at least once per month, with the sole exception of August.

Committees of the Board of Directors.

Article 36 of the By-Laws provides that “the Board of Directors must create and maintain an Executive Committee, an Audit and Compliance Committee and a Nominating and Compensation Committee.” In addition, Article 22 of the Regulations of the Board of Directors and clause 5 of the Framework Agreement entered into with IBERDROLA S.A. on November 5, 2007 lay down the obligation to create a Related-Party Transactions Committee.

The IBERDROLA RENOVABLES’ Board of Directors therefore has the following Committees:

- Executive Committee.
- Audit and Compliance Committee.
- Nominating and Compensation Committee.
- Related-Party Transactions Committee.

The functions and responsibilities of these Committees are described in detail in the 2008 Annual Corporate Governance Report 2008.

Position	Director	Status	Date of last appointment	Expiry date
Chairman	Mr. José Ignacio Sánchez Galán	Proprietary	11/05/2007	11/05/2012
Chief Executive Officer	Mr. Xabier Viteri Solaun	Executive	11/05/2007	11/05/2012
Director	Ms. María Helena Antolín Raybaud	Independent	11/05/2007	11/05/2012
Director	Mr. Alberto Cortina Koplowitz	Proprietary	11/05/2007	11/05/2012
Director	Mr. Luis Chicharro Ortega	Independent	11/05/2007	11/05/2012
Director	Mr. Carlos Egea Krauel	Proprietary	11/05/2007	11/05/2012
Director	Mr. Julio Feroso García	Proprietary	11/05/2007	11/05/2012
Director	Ms. María Dolores Herrera Pereda	Proprietary ³	03/31/2009	11/05/2012
Director	Mr. Santiago Martínez Garrido	Proprietary ⁴	31/03/2009	05/11/2012
Director	Mr. Santiago Martínez Lage	Independent	11/05/2007	11/05/2012
Director	Mr. Manuel Moreu Munaiz	Independent	11/05/2007	11/05/2012
Director	Mr. José Luis San-Pedro Guerenabarrena	Proprietary	11/05/2007	11/05/2012
Director	Mr. Javier Sánchez-Ramade Moreno	Proprietary	11/05/2007	11/05/2012
Director	Mr. José Sainz Armada	Proprietary	11/05/2007	11/05/2012
Director	Mr. Álvaro Videgain Muro	Independent	11/05/2007	11/05/2012

³ y ⁴ All Directors have been appointed to 5-year terms, although Ms. María Dolores Herrera Pereda and Mr. Santiago Martínez Garrido, who have been appointed on an interim basis to fill vacancies, will hold office for the balance of the 5-year term to which the directors they replace had been appointed.

IBERDROLA RENOVABLES
headquarters (Valencia).



Executive Committee

The Executive Committee has been delegated all powers of the Board of Directors that can be delegated under the applicable law and the By-Laws.

In addition, the Executive Committee is entrusted with its own strategy and investment tasks. Thus, most of its time is spent proposing to or informing the Board about strategic, investment and divestment opportunities that are important for the Company or the IBERDROLA RENOVABLES Group, assessing the extent to which they are in line with the Budget and the Strategic Plan, and analyzing and monitoring business risks, for which purpose it takes into account the environmental and social aspects thereof.

Pursuant to the provisions of Article 23 of the Regulations of the Board of Directors, the Executive Committee shall be composed of the number of Directors decided on by the Board of Directors, subject to a minimum of three (3) and a maximum of six (6).

As of the date of this report, the Committee has four members:

Position	Director	Status
Chairman	Mr. José Ignacio Sánchez Galán	Proprietary
Member	Mr. José Sainz Armada	Proprietary
Member	Mr. Santiago Martínez Lage	Independent
Member	Mr. Xabier Viteri Solaun	Executive

Article 23.4 of the Regulations of the Board of Directors provides that the Executive Committee shall meet at least one (1) time per month and as many other times as the Chairman deems appropriate. In addition, it shall meet when so requested by two (2) of the Directors sitting on the Committee. The Executive Committee held 21 meetings during fiscal year 2008.

Audit and Compliance Committee

The Audit and Compliance Committee is an internal informational, consultative and supervisory body without executive powers that has informational, advisory and proposal-making powers within its scope of activity. Articles 38 of the By-Laws and 24 to 26 of the Regulations of the Board of Directors govern the makeup and powers of this Committee, as well as the rules relating to meetings and the passing of resolutions.

As of the date of this report, the Audit and Compliance Committee has three members:

Position	Director	Status
Chairman	Mr. Álvaro Videgain Muro	Independent
Member	Mr. Javier Sánchez-Ramade Moreno	Proprietary
Secretary-Member	Mr. José Luis San-Pedro Guerenabarrena	Proprietary

This Committee held a total of ten meetings during fiscal year 2008.

Nominating and Compensation Committee

This Committee is an internal informational and consultative body within the Board, without executive powers, with informational, advisory and proposal-making powers within its scope of activity. Its operation is governed by Article 39 of the By-Laws and Articles 27 to 29 of the Regulations of the Board of Directors.

As of the date of this report, the Nominating and Compensation Committee has the following composition:

Position	Director	Status
Chairman	Mr. Santiago Martínez Lage	Independent
Member	Mr. Luis Chicharro Ortega	Independent
Secretary-Member	Mr. José Sainz Armada	Proprietary

This Committee held nine meetings during fiscal year 2008.

Related-Party Transactions Committee

This Committee is an internal informational and consultative body within the Board, without executive powers, with informational, advisory and proposal-making powers within its scope of activity. Its operation is governed by Articles 30 to 32 of the Regulations of the Board of Directors. As of the date of this report, the Related-Party Transactions Committee has the following composition:

Position	Director	Status
Chairman	Mr. Álvaro Videgain Muro	Independent
Member	Ms. María Helena Antolín Raybaud	Independent
Member	Mr. Xabier Viteri Solaun	Executive

Article 31 of the Regulations of the Board of Directors lists the powers of the Related-Party Transactions Committee. This Committee held eight meetings during fiscal year 2008.

4.2. Indicate whether the Chair of the highest governance body is also an executive officer and, if so, his function within the organization's management and the reasons for this arrangement.

The position of Chairman of the Board of Directors of IBERDROLA RENOVABLES is a non-executive position. The Executive Committee and the Chief Executive Officer have been delegated all the powers that may be delegated under the law and the By-Laws. The principal measures aimed at mitigating the risks of accumulation of powers are described in section B.1.21 of the 2008 Annual Corporate Governance Report.

Maranchón wind farm
(Guadalajara).



The Board of Directors has fifteen members, of which one is an executive member, five are independent members, and nine are proprietary members.

4.3. For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.

As shown in the table included in section 4.1, the Board of Directors has fifteen members, of which one is an executive director, five are independent directors and nine are proprietary. IBERDROLA RENOVABLES characterizes as an independent director any director who satisfies the definition there of provided by the Unified Corporate Governance Code.

4.4. Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.

Communication with shareholders

The shareholders' main channel of communication with the Board of Directors is the General Shareholders' Meeting. The Regulations of the General Meeting, whose main provisions are summarized in sections E.3 and E.4 of the 2008 Annual Corporate Governance Report (available on the Company's website), give details of the shareholders' rights to information, attendance, and distance proxy-granting and voting at the General Shareholders' Meeting, as well as the measures taken by the Company to encourage participation therein.

For its part, the Office of the Shareholder permanently deals with requests through a personal assistance department at the Company's headquarters, a toll-free call center (900 123 133), as well as through an e-mail address (accionistas@iberdrolarenovables.com) and the website www.iberdrolarenovables.es.

Communication with employees

Various channels and tools are available to IBERDROLA RENOVABLES' employees in order for them to contact and communicate with the Company's corporate governance bodies. Especially noteworthy among these are the meetings that the Chairman holds with employees throughout the world, whether face-to-face or via the Internet, at which all employees can submit to him their questions and/or suggestions. Additionally, the employees hold meetings with the Chief Executive Officer and their superiors in order to resolve all kinds of matters relating to the Company.

In line with the recommendations set out in the Unified Good Governance Code and benchmark international best practices, IBERDROLA RENOVABLES has implemented and

made available to its employees a channel of communication with the Audit and Compliance Committee, the purpose of which is to provide information on a confidential basis regarding possible irregular conduct that may be potentially significant in the financial and accounting areas.

4.5. Linkage between compensation for members of the highest governance body, senior managers and executives, including departure arrangements, and the organization's performance, including social and environmental performance.

Sections B.1.11 and B.1.12 (together with the corresponding comments in section G) of the 2008 Annual Corporate Governance Report, and sections 37 and 39 of the Notes to the Annual Financial Statements of IBERDROLA RENOVABLES and its Consolidated Group, give details of the compensation paid to members of the Board of Directors and Senior Executives during each fiscal year. This information is completed and expanded upon in the Annual Report regarding Director Compensation Policy for the fiscal year in question and application of the compensation policy in the preceding fiscal year approved by the Board of Directors at its meeting of May 4, 2009.

4.6. Processes in place for the highest governance body to ensure conflicts of interest are avoided.

Article 42 of the Regulations of the Board of Directors governs the specific conflict of interest situations that might affect the Directors and persons related thereto. This Article provides that the Directors must give notice of the conflicts of interest in which they or persons related to them are involved and must abstain during the deliberations and vote regarding the matter in question. This provision is developed in more detail in the Procedure for Conflicts of Interest and Related-Party Transactions with Directors, Significant Shareholders and Senior Management of IBERDROLA RENOVABLES S.A.

Section C.5 of the 2008 Annual Corporate Governance Report sets forth the conflicts of interest that have affected Directors during fiscal year 2008, and section C.6 describes the mechanisms established to detect and resolve any possible conflicts of interest between IBERDROLA RENOVABLES and its Directors, managers and significant shareholders.

Additionally, on November 5, 2007, IBERDROLA RENOVABLES and IBERDROLA S.A. entered into a framework agreement in order to establish a transparent framework for relationships between the two companies, in aspects such as the delimitation of each company's respective scope of action, the flow of information, conflicts of interest and related-party transactions. This framework agreement is available on both companies' websites.

4.7. Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental and social topics.

Pursuant to Article 13.1 (a) of the By-Laws, the shareholders at a General Shareholders' Meeting have the power to appoint and remove Directors as well as to approve the appointment of the Directors, if any, that the Board of Directors has designated to fill vacancies on an interim basis.

In all cases, the proposals for appointment of Directors that the Board of Directors submits to a decision by the shareholders at a General Shareholders' Meeting, and the appointment decisions made by the Board in the exercise of the power legally attributed thereto to make interim appointments, must be preceded by: (a) a corresponding proposal of the Nominating and Compensation Committee in the case of independent Directors; and (b) a report of the Nominating and Compensation Committee in the case of the other Directors. Pursuant to Article 28 of the Regulations of the Board of Directors, the report must assign the new Director to one of the categories contemplated in such Regulations.

The Board of Directors, together with the Nominating and Compensation Committee within the scope of its authority, shall endeavor to ensure that the candidates proposed to the shareholders at the General Shareholders' Meeting for their appointment as Directors, and the Directors directly appointed by the Board to fill vacancies in the exercise of its power to make interim appointments, shall be persons who are widely recognized for their expertise, competence and experience, and shall be particularly rigorous in connection with the selection of those persons who are to hold office as independent Directors (Article 13 of the Regulations of the Board of Directors).

For such purpose, the Nominating and Compensation Committee must report on and review the standards that must be followed in composing the Board of Directors and in selecting candidates, defining their duties and necessary qualifications and assessing the time and dedication required for the proper performance of their duties (Article 28 of the Regulations of the Board of Directors).

In particular, the Nominating and Compensation Committee shall, at the request of the Board of Directors, select the possible candidates to be appointed, if appropriate, as Directors of the Company and shall submit its proposals or reports to the Board of Directors. To this end, the Committee must verify compliance with the general requirements that must be satisfied by every candidate for Director of the Company as provided in the By-Laws, in the Regulations of the Board of Directors and in the applicable regulations. Likewise, in the case of candidates for the position of

independent Director, the Committee must verify compliance with the requirements specifically applicable to this type of Director as provided in the By-Laws and in the Regulations of the Board of Directors and must gather adequate information regarding the personal qualifications, experience, knowledge and effective availability of the candidates.

Moreover, in order to perform the duties of the Board of Directors, and particularly in connection with matters relating to the economic, environmental and social performance of the Company, each Director may request the hiring, at the Company's expense, of external advisors in order for them to deal with specific issues of certain complexity that may arise during the performance of the Director's duties (Article 38 of the Regulations of the Board of Directors). In addition, the Nominating and Compensation Committee may seek the advice of external professionals, who must address their reports directly to the Chairman of the Committee (Article 28 of the Regulations of the Board of Directors).

Regarding matters related to economic, environmental and social performance of the Company, it should be noted that the compensation package of the IBERDROLA RENOVBLES Group Management Team includes, among other items, a variable compensation item linked to the objectives achieved, which take into account financial, environmental and social aspects.

Sierro wind farm
(Castile-León).





Klondike wind farm
(United States).

4.8. Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.

The commitment to sustainability is one of the key pillars of IBERDROLA RENOVABLES' strategy, which has made defense of the environment a mark of its identity, implementing best practices in the area of corporate responsibility, with the highest level of transparency.

IBERDROLA RENOVABLES has adopted the Vision and Values set out by the IBERDROLA Group.

Vision: *"We aspire to be the preferred Company because of our commitment to the creation of value, people's quality of life and the protection of the environment."*

This Vision is based on five Values:

- Corporate ethics and responsibility.
- Economic results.
- Respect for the environment.
- Trust.
- A sense of belonging.

During the first quarter of 2009, IBERDROLA RENOVABLES's Management Committee approved the Company's own Mission Statement in order to contribute to the Vision of the IBERDROLA Group:

Mission: *"IBERDROLA RENOVABLES is committed, in the spirit of the IBERDROLA Group's values, to provide society with environmentally-sustainable, renewable power generation that creates wealth and value for all stakeholders."*

Code of Professional Conduct

The IBERDROLA Group Code of Professional Conduct applies to all of IBERDROLA RENOVABLES' professionals. The Code of Professional Conduct formalizes and develops, within the framework of IBERDROLA RENOVABLES' Strategic Plan, the vision and values of the IBERDROLA Group and provides guidance on how its employees should act in a global, complex and changing environment.

The IBERDROLA Group's Code of Professional Conduct sets forth the Company's commitment to the principles of corporate ethics and transparency in all fields of activity, establishing a number of principles and rules of conduct aimed at ensuring the ethical and responsible behavior

of all the professionals and the companies of the Group in the performance of their activities, regardless of their geographic location.

In particular, this Code embodies the workers' commitment to the protection of the Company's interests and describes the corrective measures that must be applied in the situations requiring them. In addition, it provides that, should any questions arise or in the event of situations not contemplated in the Code, the employees must turn to their immediate superior or to the Corporate Resources division for a solution.

The Code also provides that, if there are reasonable indications of the commission of any irregularity or of an act which is unlawful or which breaches the rules of the Code of Professional Conduct, such information must be reported to an immediate superior or, if circumstances so require, to the Corporate Resources division, and in the case of potentially significant financial and accounting irregularities, they must be reported directly to the Audit and Compliance Committee.

In order to encourage the responsible conduct of its subsidiary companies, the latter are either governed by the Group's Code of Professional Conduct or they are in the process of convergence towards Codes of Conduct that are coordinated with the principles defined by IBERDROLA RENOVABLES.

Additionally, IBERDROLA RENOVABLES views the Code of Professional Conduct as a set of reference guidelines for all of the players with whom the Group interacts: shareholders, professionals, users, suppliers, competitors, authorities and markets in general.

The Code of Professional Conduct may be viewed at www.iberdrolarenovables.es.

Corporate Social Responsibility Policies

IBERDROLA RENOVABLES is firmly committed to sustainable development. Through the public adoption by its Board of Directors of specific policies, the Company wishes to show that sustainable development represents a unique business approach for it and, at the same time, is the best guarantee of its commitment to the creation of value, both for shareholders and other stakeholders, as well as providing the perfect stimulus in its attempts to continue improving its responsible conduct.

IBERDROLA RENOVABLES also pays special attention to the social dimension of risk management, analyzing, among others, the risks related to safety, professional ethics, professional development and social responsibility.

IBERDROLA RENOVABLES is the world leader in wind energy and wishes to be the international benchmark in renewable energy, with a commitment to creating value, protecting the environment and improving people's quality of life.

IBERDROLA RENOVABLES has approved the following social responsibility policies:

- Corporate social responsibility policy.
- Environmental policy.
- Biodiversity policy.
- Occupational risk prevention policy.
- Innovation policy.
- Supplier hiring and relations policy.
- Quality policy.
- Recruitment and selection policy.
- Knowledge management policy.
- Anti-fraud policy.
- Policy for balance between personal and working life and equality of opportunity.

The Company's Comprehensive Risk System specifically contemplates the reputational risks faced by the Group.

4.9. Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.

IBERDROLA RENOVABLES' contribution to sustainable development materializes through a set of principles and practices that address the needs and expectations of its stakeholders and are included in the Corporate Social Responsibility Policy approved by the Board of Directors and published on the Company's website, www.iberdrolarenovables.es, under "Our Policies."

By way of application of the corporate governance, risk and corporate social responsibility policies approved by the Board of Directors, IBERDROLA RENOVABLES defines its Strategic Plan through a planning scheme that takes into account both the internal diagnosis of the organization and the surrounding environment, with both financial and non-financial objectives.

The Company has adhered to the Global Compact in order to encourage and disseminate its principles regarding human rights, employment practices, the environment and the fight against corruption.

4.10. Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.

Pursuant to Article 33 of the Regulations of the Board of Directors of IBERDROLA RENOVABLES, the Board must evaluate, on an annual basis, (I) its operation and the quality of its work, (II) the performance by the Chairman of the Board and the Chief Executive Officer of their duties, based on the report submitted by the Nominating and Compensation Committee, and (III) the operation of its Committees, based on the report submitted thereto by such Committees.

The evaluation process is structured in two phases: (I) a first phase during which information is obtained from the Directors, and (II) a second phase during which such information is analyzed and conclusions are drawn, in order to identify potential areas for improvement and implement specific measures that may help to further improve IBERDROLA RENOVABLES' corporate governance system.

In order to carry out this evaluation, various aspects of the functioning of the Board of Directors have been analyzed, together with the efficiency of its actions and the contribution of its members to the performance of the Board's functions, all coordinated and supervised by its Chairman.

The Board of Directors completed this evaluation process for fiscal year 2008 at its meeting of February 24, 2009 by adopting a resolution concluding that the Board is correctly organized and operating.

In addition, for 2009 the Board has set the goal of continuing with training activities and maintaining an information program that allows its directors to broaden their knowledge of the businesses, the regulatory framework, corporate governance and the economic/financial situation within which the Company operates, as well as encouraging and increasing the attendance of the Company's Senior Management at Board meetings, in order them to inform the Board about matters within their competence.

4.11. Explanation of whether and how the precautionary approach or principle is addressed by the organization.

This principle is included in the Environmental Policy approved by IBERDROLA RENOVABLES' Board of Directors, and its adoption by the Company is clearly shown by its support for renewable production technologies, principally wind power, which have a lesser impact on climate change and are less harmful to biodiversity.

The precautionary approach is reflected through the widespread use of environmental impact assessments, a preventive tool that is used prior to the execution of infrastructure projects. Finally, the implementation of the environmental management system (the core function of which is to analyze, prevent and mitigate risks) is another key instrument in the implementation of the precautionary principle in the organization. Within the framework of these management systems, emergency drills are conducted at the facilities and analyses are carried out of the causes of incidents in order to prevent any future accidents. Another key component of these management systems is training, which allows the principles underpinning such systems to be disseminated across the organization.

For more information, see indicator EN14.

4.12. Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses.

IBERDROLA RENOVABLES, as part of the IBERDROLA Group, has adhered to the Global Compact, thus committing itself to supporting, encouraging and disseminating the Compact's ten principles relating to human rights, employment practices, the environment and the fight against corruption.

The Company has also joined the "Global Roundtable on Climate Change" and "Caring for Climate."

In the United States, IBERDROLA RENEWABLES forms part of "The Climate Trust." Additionally, in conjunction with the American National Renewable Energy Laboratory, it participates in the "Solar Measuring Network," the goal of which is to develop a network for measuring solar energy.

Further, it has set in motion the first Bird and Bat Protection Program; it is a joint member with "Bat Conservation International" in a research program carried out at the wind farms in Pennsylvania, Massachusetts and California; it is a founding member and member of the Board of the "American Wind and Wildlife Institute"; it actively participates in the creation of the "California Voluntary Siting Guidelines" and it is a member of the "U.S. Fish & Wildlife Wind Turbine Guideline Advisory Committee."

4.13. Main associations of which IBERDROLA RENOVABLES is a member.

Spain	
Asociación Empresarial Eólica (AEE)	APPA Geotérmica
Asociación de Pequeños Productores y Autogeneradores de Energías Renovables (APPA)	APPA Solar Termo
APPA Biomasa	Club Español de la Energía
APPA Fotovoltaica	ASIF (Asociación de la Industria Fotovoltaica)
APPA Marina	Protermosolar (Asociación Solar Termoeléctrica)
International	
European Wind Energy Association (EWEA)	ESTELA (Thermosolar Promotion in Europe)
GWEC (Global Wind Energy Council)	
United Kingdom	
British Wind Energy Association	UK Scottish Renewables Forum
Renewable Energy House	
United States	
American Gas Association (AGA)	American Wind Energy Association (AWEA)
Canadian Gas Association (CGA)	Canadian Wind Energy Association (CanWEA)
Edison Electric Institute (EEI)	Renewable Energy Policy Project/Center for Renewable Energy and Sustainable Technology (CREST)
Electric Power Supply Association (EPSA)	Electric Power Research Institute (EPRI)
National Wind Coordinating Committee	Geothermal Energy Association
Repowering the Midwest	North American Energy Standards Board
World Energy Council	United States Energy Association
Northwest Public Power Association (NWPPA)	American Wind and Wildlife Institute
Renewable Fuels Association	
Greece	
Athens Chamber of Commerce and Industry	Hellenic Federation of Enterprises
Institute of Energy for South Eastern Europe	Hellenic Wind Energy Association
Association of Hellenic Electricity Companies	Development Association of Electricity Producer
Poland	
Polish Wind Energy Association (PSEW)	Polish Economic Chamber of Renewable Energy (PIGEO)
France	
Syndicat des Energies Renouvelables (SER)	

4.14. List of stakeholder groups engaged by the organization.

In order to identify its stakeholder groups, IBERDROLA RENOVABLES has adopted the approach laid down by IBERDROLA, while adjusting the relationships with such groups according to the different needs identified by IBERDROLA RENOVABLES:

- Employees.
- Shareholders and the financial community.
- Regulatory authorities.
- Suppliers.
- Media.

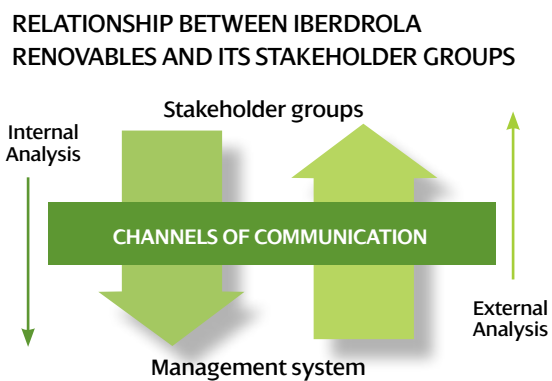
- Society.
- Environment.
- Customers (this stakeholder group is particularly important in the United States, through the company Community Energy).

4.15. Basis for identification and selection of stakeholders with whom to engage.

IBERDROLA RENOVABLES has identified the stakeholder groups with whom to engage through a process of internal reflection within the Company's management team, following the framework laid down by IBERDROLA, in order to be able to work with them in a way that can be genuinely

put into practice. IBERDROLA RENOVABLES has adjusted this process of identification of stakeholder groups and the establishment of relationships with them to both the needs of the Company and those of the stakeholder groups with which it interacts.

4.16. Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.



IBERDROLA RENOVABLES is convinced of the key role played by social trust in the success of industry's policies, plans and operations.

Critical matters for the sector, such as climate change, increasing capacity and looking for new sites, are largely determined by the degree of coincidence of IBERDROLA RENOVABLES' strategic objectives with those of the societies in which it operates. This requires resources to be dedicated to the proper management of the relationships between them. Stakeholder groups have the capacity to change the Company's reputation; they can give warnings or signal risks; they are capable of distracting Management's attention and resources away from key activities; and, finally, as a result of their social role, they can affect, to a greater or lesser degree, the Company's value.

For all of the above reasons, an important part of IBERDROLA RENOVABLES' strategic approach is based on its relationships with those groups affected by its activities, in the two senses that this relationship suggests: from the point of view of reputation, to manage the perception that these groups have of the Company, and from the point of view of social responsibility, meeting their expectations and needs by creating value in the projects. The Company is convinced that it must have a key role in contributing to the socio-economic system of the societies in which it is active and assume goals to be able to carry out this commitment.

As explained in section 4.14 of this report, in order to achieve these objectives, the Company has identified the various stakeholder groups with which it relates. The systematic nature of the contacts with these groups is reflected throughout this report by the performance indicators that show the channels of communication that the company makes available to the various stakeholders as well as the actions taken in response to the latter's key issues.

Once identified, the goal is to create stable relationships and strengthen available channels of communication. These channels of communication and dialogue with stakeholder groups can, in general terms, be divided into three levels:

- IBERDROLA RENOVABLES Management holds meetings with key stakeholder groups on a global basis in order to identify and understand the important aspects to take into account in the Company's strategic planning.
- At the local level, each of the businesses has channels of communication in place with its key stakeholder groups.
- At plant level, other communication channels also exist for the receipt of complaints and ideas and relating to the improvement of the facilities and works carried out.

4.17. Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded thereto, including through its reporting.

The Company believes that continuous and transparent communication with its stakeholder groups is a fundamental aspect of corporate responsibility. Thus, the Company establishes the best relationships with its stakeholder groups, understood as groups that affect or are affected by the activities carried out, following the recommendations and good practices of Corporate Social Responsibility (CSR).

The Company is aware of the importance of the information and response capacity of stakeholder groups and therefore offers different groups the possibility of giving their opinion about the information received and proposing ways of improving the situation through the different channels of communication described throughout this report.

In addition, IBERDROLA RENOVABLES extends Corporate Social Responsibility good practices to its supply chain, currently having a solid network of suppliers committed to the development of increasingly efficient clean technology and sustainable business management.





ECONOMIC DIMENSION

Having consolidated its position as the leading renewable energy company throughout the world, IBERDROLA RENOVBLES has created a model for success. We make available all alternatives for energy generation that are inexhaustible and sustainable, and that create wealth and generate value for our shareholders and for society in general. The Company's geographic diversification, flexibility and financial strength allows it to adjust its investments and optimize the profitability and efficiency of its plants, as well as to extend the useful life of its assets.

1. MANAGEMENT APPROACH

IBERDROLA RENOVABLES has become a world leader in the area of renewable energy through the establishment of a success model that makes available to society non-exhaustible, environmentally-sustainable alternatives for power generation that create wealth and value for all stakeholders.

The main lines of action leading to the achievement of this success are defined in the 2008-2012 Strategic Plan and are primarily the following:

To harness existing business opportunities.

IBERDROLA RENOVABLES' competitive advantages, such as geographic diversification, flexible wind turbine supply contracts, an extensive project portfolio, and financial strength would enable it to adapt its

investments if circumstances so advised, always subject to the commitment of maximizing the creation of value for the shareholders.

To maximize the profitability and efficiency of projects and the useful life of assets.

IBERDROLA RENOVABLES seeks maximum profitability through the operating efficiency of the various renewable energy technologies currently in use. To this end, it plans the construction and operation of its facilities with a view to maximizing availability and output levels throughout their useful life, and optimizes the processes for integration of the energy generated in the electricity system.

Long-term view.

IBERDROLA RENOVABLES adopts a positioning strategy allowing for its long-term growth through its presence

Work team at the CORE (Toledo).



in new countries, the investment in more efficient and more competitive technologies and a continuous wager on technological innovation.

In order to implement among the Company's professionals a number of guidelines aimed at promoting the achievement of the objectives set out in the Strategic Plan, the Board of Directors of IBERDROLA RENOVABLES has approved a set of policies that are grouped as follows:

- Corporate Governance Policies, for compliance with and improvement and continuous revision governance regulations, in line with the recommendations of the Unified Good Governance Code.
- Risk Policies, aimed at providing the maximum level of assurance to shareholders, other stakeholders and the markets in general, and to enhance the creation of value through the appropriate management of the risk/opportunity relationship.
- Corporate Social Responsibility Policies, with a special focus on the environmental and social dimension of risk management and through the analysis of risks relating to safety, professional ethics, professional development, social responsibility, commitment to the environment and the protection of biodiversity, among other risks.

Such policies may be viewed in the "About us - Our Policies" section on the website www.iberdrolarenovables.es.

In addition, the economic and financial results for fiscal year 2008 may be viewed in the section entitled "Financial information and notices to the CNMV."

2. ECONOMIC PERFORMANCE INDICATORS

Aspect: Economic performance

EC1. Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.

IBERDROLA RENOVABLES' strategy is favored by the latest regulatory initiatives in the United States and the European Union.

EC2. Financial implications and other risks and opportunities for the organization's activities due to climate change.

Climate change is one of the most important challenges faced by the energy sector, as it plays a key role in this area due to the fact that production technologies using fossil fuels have a significant specific effect on greenhouse gas emissions.

The "Climate Change and Energy Package," a package of measures approved by the European Parliament within the framework of the European Directive for the promotion of renewable energy sources, sets ambitious goals for the Member States: 20% of all energy consumed across the European Union must come from renewable energy sources by 2020, and greenhouse gas emissions must be reduced by 20% as compared to 1990 levels. Meeting the goal set by the Directive calls for investments in this sector in Europe, and especially in Spain and the United Kingdom. By 2020, 20% of the energy consumed in Spain and 15% in the United Kingdom must be from renewables. In addition, the emissions trading Directive offers appropriate signals for the promotion of technological change in the electricity sector and favors generation with cleaner technologies.

In February 2009, U.S. President Barack Obama signed what was known as the "Stimulus Bill," a package of measures intended to revitalize the economy that includes an extension of Production Tax Credits (PTCs) through 2012 for wind farms, their conversion into Investment Tax Credits (ITCs) at the investor's option, and the creation of federal funds

ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED (thousands of euros)

IBERDROLA RENOVABLES Group	2007 ⁵	2008
Revenue	1,008,836	2,177,785
Operating expenses	311,260	707,516
Employee compensation	97,136	188,921
Financial expenses	289,375	235,197
Corporate income tax	76,686	206,301
Donations and other investments in the community	N/Av	2,155
Retained economic value	N/Av	837,695

⁵ From October 1 through December 31, 2007.

managed by the U.S. Department of Energy and aimed at promoting the development of renewable energy. Moreover, further steps will be taken in 2009 towards the approval of the “Energy Bill,” which will most probably include a federal Renewable Portfolio Standard (RPS) system based on certificates of origin, and which will give a definitive boost to the development of wind power in the United States.

IBERDROLA RENOVABLES’ strategy, based on a significant development of renewable energy, mainly wind power, is geared towards the achievement of such aims by helping to avoid CO₂ emissions (the primary goal of the policies designed to combat climate change) and, at the same time, creates value in the communities in which the Company operates and contributes to their growth.

EC3. Coverage of the organization’s defined benefit plan obligations.

The IBERDROLA RENOVABLES Group generally offers to most of its employees a number of benefits in the various countries in which it has a presence and/or in which the specific implementation of such benefits is currently being analyzed. The most widespread benefits are the following: medical insurance, life insurance, accident insurance, pension plans (in Spain, the United Kingdom and the United States), food supplement/subsidy, and electricity rates (in Spain).

In Spain, the Company offers the IBERDROLA Pension Plan, which is a joint employment, collective promotion and defined contribution plan. The guaranteed contributions are supplemental to and independent of those established under the Social Security System, and there are two types of benefits: savings benefits and risk benefits. In Spain, this plan is offered to all employees, and the ratio for funding the contribution system is 1/3 by the company and 2/3

by the employee, with contributions being made on a monthly basis. There are specific standards for certain groups and senior managers.

SCOTTISHPOWER RENEWABLES currently has two Pension Plans in place. The first one is primarily a defined contribution system, with a scale of contributions by the employee and by the company that increases in accordance with seniority under the Plan. It requires a minimum contribution by the employee equal to 5% of his salary, and a contribution by the company that varies in accordance with the length of the employee’s participation in the Plan. After the passage of 10 years, the employee is entitled to opt for the defined benefit system. The second Plan, implemented during the first quarter of 2009, is a defined contribution system that also requires a minimum employee contribution equal to 5% of his salary, which is doubled by the company for up to 10%.

In the United States, IBERDROLA RENEWABLES currently has five types of Pension Plans, including both defined contribution and defined benefit plans. Under the former, the average contribution by the employee is around 4.96%, while the company’s contribution stands at approximately 2.40%.

EC4. Significant financial assistance received from government.

In Spain, IBERDROLA RENOVABLES has primarily received direct subsidies for R&D projects in the amount of €585,457. In addition, and also in connection with innovation and re-industrialization projects, soft credit has been granted to IBERDROLA RENOVABLES in the amount of €2,295,186.

In the United States, IBERDROLA RENEWABLES received Production Tax Credits for wind farms in the amount of 1.25 million euros in 2008.

ROKAS RENEWABLES receives government subsidies for new projects.

SCOTTISHPOWER RENEWABLES, IBERDROLA RENEWABLES Poland and IBERDROLA RENOVABLES France did not receive any financial aid from governments during fiscal year 2008.

It should also be pointed out that the government does not form a part of the shareholding structure of the companies belonging to the IBERDROLA RENOVABLES Group.

Finally, additional information may be found in the document “2008 Consolidated Annual Financial Statements” at www.iberdrolarenovables.es.

IBERDROLA RENOVABLES
generally offers to most of its employees a number of benefits in the various countries in which it has a presence and/or where it is in the process of implementing them.

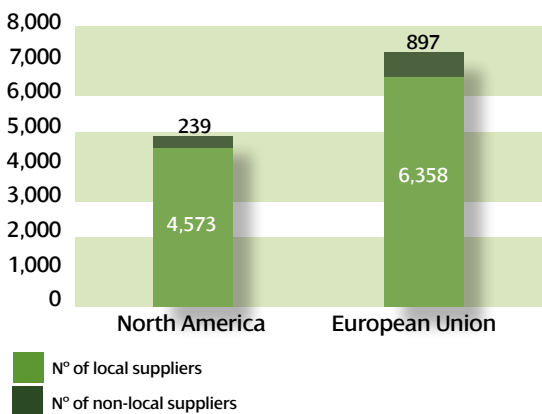
Aspect: Market presence

EC5. Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.

Basic salaries as ⁶ compared to local minimum salaries ⁷	2008	2007	2006
IBERDROLA RENOVABLES Group	124.55%	133.16%	175.40%

EC6. Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.

The Company's largest domestic supplier is GAMESA. Other wind turbine suppliers are General Electric, Mitsubishi, Suzlon and Alstom Ecotècnia.

NUMBERS OF REGISTERED SUPPLIERS

The chart above shows the number of registered suppliers, divided into local and non-local suppliers. As can be seen, the general trend is for most suppliers to be locally-based.

Moreover, if the purchase volume standard is used, most purchases are also made from local suppliers. For example, in Spain, 94% of purchases are made from local suppliers, while in the United States the percentage is 99.97%.

EC7. Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.

In all countries in which the IBERDROLA RENOVABLES Group operates, most of the personnel, as well as managers, are nationals of the respective country in each case.

IBERDROLA RENOVABLES has four energy Classrooms aimed at acquainting both schoolchildren and the population at large with the main characteristics of the different kinds of renewable energy now existing.

The principles making up the recruitment and selection policy of IBERDROLA RENOVABLES (published on the website, www.iberdrolarenovables.es), provide for:

- Non-discrimination and equality of opportunity.
- Universal recruitment, so that all professionals meeting the required competency profile are included, without exclusions of any kind that limit the effectiveness of the selection.
- A guarantee of maximum confidentiality for all candidates in accordance with the rules in force on the protection of personal data.
- Selection based on merit and the abilities of the candidates.

These principles ensure that the process of selection and recruitment is rigorous and is based exclusively on the academic, personal and professional merits of the candidates by means of the use of objective tests and methodologies that adhere to strictly professional standards. Therefore, no candidate is excluded, either in the processes of external selection or within the company, from the possibility of developing his or her professional career.

EC8. Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.

As of the date of this report, IBERDROLA RENOVABLES has four energy education Classrooms, established without charge and aimed at acquainting both schoolchildren and the population at large with the main characteristics of the different kinds of renewable energy now existing, during a one-day theoretical and practical seminar (for more information, see Annex 1).

In Castilla y León, an agreement was reached for the provision of thematic equipment and gardening at the *Casa del Parque del Valle de Iruelas* in Ávila. In addition, an Agreement was executed by the Company and

⁶ Basic salary = minimum entry wage. Where there is none, the lowest monthly salary collected by an employee is used.

⁷ The 2008 information for Poland was not included in IBERDROLA's 2008 Sustainability Report because it was not available as of the close thereof.

Energy generation at wind farms is vital for the development of society and for the fight against climate change.

Fundación Patrimonio Natural de Castilla y León for the conservation and management of the natural heritage of the autonomous community of Castilla y León.

In the Basque Country, ten environmental education workshops were organized during the first six months of 2008. These workshops were jointly coordinated by environmental experts of municipalities, associations of municipalities, and other governmental divisions, engaged in local Agenda 21 activities. Additionally, there has been an expansion of the Renewable Energy Route, an attraction that is visited by thousands of people throughout the year and is situated within the Aizkorri Natural Park, where the Parkeetxea Center for the Interpretation of Nature and the Elgea-Urkilla wind farm are located.

Under the plan for the protection of the historical and artistic heritage and of the environment signed with the Company, the Municipality of Palencia will promote the works for restoration of the balcony of the Santo Toribio hermitage, as well as the reconditioning of the steps joining the temple with the Victorio Macho Interpretation Center.

The Company cooperates with the Council for the Environment and Rural Development of Castile-La Mancha in the reforestation of 24,000 trees in the province of Cuenca, under an agreement executed by both entities and the *Empresa Pública de Gestión Ambiental of Castilla-La Mancha* (GEACAM). This is the first private initiative furthering the reforestation objective set for this session of the legislature by the Executive of Castilla-La Mancha.

IBERDROLA RENOVABLES has signed a cooperation agreement with the Energy Management Agency (*Agencia de Gestión de la Energía*) of Castilla-La Mancha for the introduction of various improvements and the conduct of activities at this center located in the historic area of Cuenca. Within the framework of this agreement, IBERDROLA RENOVABLES will develop a new Energy Area in the museum, and was the main collaborating partner in the 10th Anniversary of the Castile-La Mancha Museum of Science, which took place in January 2009.

At the international level, especially noteworthy are the program for Cleanup of the Killini Port Beach (Greece) and the investment in the construction and

maintenance of public roadways during the construction of the wind farm at Hnatkowice-Orzechowce. Other types of activities have also been conducted within the framework of the various community support policies implemented in different countries, such as providing support to local fairs, local sports, festivals, theater plays and rodeos or making donations to schools, hospitals, fire stations and other local institutions, among other activities.

EC9. Understanding and describing significant indirect economic impacts, including the extent of impacts.

Section 1.2 of this report and the Environmental Dimension section provide a description of the impacts of electricity production and consumption on the environment.

From the social viewpoint, the expansion of electricity systems energizes the regional economy in the area of implementation and generates employment opportunities, contributing to economic and social improvement, similar to other economic activities. Specifically:

- Wind farms are built in disperse geographical locations. This contributes to the generation of economic activity and employment, mainly in rural areas. IBERDROLA RENOVABLES' experience is that a large percentage of the personnel hired during the phases of implementation and operation of wind farms is made up of local persons.
- These facilities generate significant indirect employment in the region, requiring security, mechanical, transportation, health, lodging and other services, with a notable impact on the area's economy.
- Due to this geographical dispersion, the electricity business generates taxes, tariffs and levies at the local, regional and national level, and allows for the generation of income in economically disfavored areas, with government administrations receiving several millions of euros annually from this business, to which there should be added the tax levies associated with the increase in commercial and financial activities.

One particular feature of energy generation at wind farms, IBERDROLA RENOVABLES main activity, is that it does not generate any significant hazardous waste. This type of generation is tied to progress and well-being, and it is vital for the development of society and for the fight against climate change. IBERDROLA RENOVABLES believes that the growth of its business is a major stepping-stone on the road to sustainable development.





ENVIRONMENTAL DIMENSION

A heavy wager on clean energy generation and the defense of the environment forms the basis of IBERDROLA RENEWABLES's strategy. The Company, which works within a more sustainable model of the electricity industry in order to ensure the supply of electrical energy to society, uses its resources in a manner that contributes to the fight against climate change. It has minimized the impact of its technologies thanks to two specific policies of the Company: the Environmental Policy and the Biodiversity Policy.

1. MANAGEMENT APPROACH

IBERDROLA RENOVABLES has established a series of corporate policies that apply to the whole Group and that establish Basic Principles of Performance that will gradually be applied to all its activities and business units.

IBERDROLA RENOVABLES has approved two specific policies with regard to the environment: the Environmental Policy and the Biodiversity Policy, both available in the “Our Policies” section on the website:

www.iberdrolarenovables.es.

Through the Environmental Policy, the Company makes a commitment to promote innovation and ecoefficiency (reduction of environmental impact by production unit), to gradually reduce the environmental impacts of its activities, facilities, products and services, and to strive to harmonize the development of its activities with the legitimate right of future generations to enjoy a suitable environment. With this policy, the Company promotes the commitment that the various levels of the organization will progressively incorporate respect for the environment into the planning and development of the Company's activities. Also, all employees of the Company, with their daily work, will contribute to meeting the objectives adopted in this field.

To ensure that these commitments are put into practice, the Company's activities will be guided by the following Basic Action Principles:

- Full integration of the environmental dimension and respect for the natural environment into the strategy of the Company.
- Establishment of appropriate Management Systems that help to reduce environmental risks and that include:
 - ✓ Strict compliance with the law, the various international commitments that have been executed, and internal rules regarding the environment.
 - ✓ Ongoing effort to identify, assess and reduce negative environmental effects of the activities, facilities, products and services of the Company.

- Promotion of behavior in line with the principles of this policy among the principal stakeholders of the Company, assigning positive value to alignment therewith, particularly in the selection of contractors and suppliers.
- Establishment of a constructive dialogue with the government agencies, NGOs, shareholders, customers, local communities, and other stakeholders.
- Transparency reporting on environmental results and activities, establishing appropriate channels to favor communication with the principal stakeholders.

The Company, which has also approved a Biodiversity Policy, recognizes that social development is strongly linked to the use of natural resources, affecting their availability, as well as with natural systems and the services provided by ecosystems, which can occasionally cause a decrease in biological diversity. The scientific community agrees that there is currently an accelerated loss of this natural capital and of biodiversity, which are essential to the survival of the human species, as well as to its very well-being and to sustainable development.

The preservation of biodiversity is also an issue that is raising increasing attention from some of the principal stakeholders of the Company, such as NGOs, government administrations, and socially responsible investment groups.

Some of the Basic Action Principles that this policy establishes are:

- Integration of the preservation of biological diversity into the Company's strategy, including consideration thereof in decisions on the execution of infrastructure projects.
- Promotion of the in-house biodiversity training of Company personnel.
- Application of a preventive focus to minimize the impacts of new infrastructure on biodiversity, bearing in mind the complete life cycle, including the stages of implementation, operation, and dismantling, for which purpose environmental guidelines shall be prepared for each type of infrastructure project to be carried out by the Company.

These policies are gathered in the Corporate Social Responsibility Policy of the Company, which establishes the principles and practices of social responsibility that meet the needs and expectations of the stakeholders. The Corporate Social Responsibility Policy of the Company is also available on the website **www.iberdrolarenovables.es**.

The adoption and application of new knowledge about the environmental impacts of the development of wind farms improve the process of evaluation thereof. IBERDROLA RENOVABLES has adopted a Code of Good Environmental Practices. This Code is provided to any contractor that gains

IBERDROLA RENOVABLES bases its business strategy on the wager for change toward a more sustainable electricity sector.

access to the facility to do maintenance work. Following these practices reduces the impacts on ecosystems and local communities.

At IBERDROLA RENOVABLES, environmental responsibilities are distributed among all the organizational and hierarchical levels. In this way, all the personnel of IBERDROLA RENOVABLES are assigned an environmental profile and no one remains apart from environmental management. These profiles are in line with the environmental implications and repercussions that might arise from the activity being performed. A training plan is established on an annual basis in coordination with Human Resources, with the various environmental profiles in mind.

IBERDROLA RENOVABLES forms a part of the overall environmental management system of the IBERDROLA Group, which includes all the business and corporate areas. Implementation thereof allows for a reduction in environmental risks associated with their activities, as well as an improvement in the management of resources and the optimization of investments and costs. This Environmental Management System is in keeping with the directives incorporated into the Environmental Policy approved by the Board of Directors of IBERDROLA RENOVABLES. In Spain, all facilities operate pursuant to the standards of an Environmental Management system in accordance with ISO standard 14001:2004.

As a part of the installed environmental management systems, these systems provide for the monitoring and measurement of the environmental performance of the processes carried out. Within this framework of performance, objectives for improving the environmental behavior are described annually; the objectives are approved and revised by the corresponding Division and periodic tracking of those objectives is performed. In Spain, two auditing processes have been carried out in the annual planning of the Environmental Management System.

Furthermore, a review of emergency practices has entailed significant improvement in the response quality and capacity of the organization. The informational and training days that have been being developed with the Fire Fighting Services of the various locations (firefighters) and the training days of the Basic Fire Prevention Course have been especially significant in this field.

In the United Kingdom, SCOTTISHPOWER RENEWABLES has prepared an Environmental Strategy that establishes the approach that the Company will adopt for this business in the future. The major points of action of the Strategy have been included during 2008 in the Environmental Plan, which establishes key indicators and quantifiable goals for such indicators. It also establishes the focus that SCOTTISHPOWER

Beinn Tharsuinn wind farm (Scotland).



The Company guarantees the supply of energy through the development of clean technologies, which contributes to the fight against climate change.

RENEWABLES will adopt for the implementation of IBERDROLA RENEWABLES' Environmental Policy. Environmental performance is reported to the Environmental Forum. This body, in turn, meets regularly to communicate such performance to society.

In addition, one of the great achievements of the commencement of the Environmental Strategy has been the development of an Environmental Management System based on the international ISO Standard 14001, the implementation of which is planned for 2009. The previous system (OEMS) has been revised for adaptation to this new system.

The Environmental Management System will cover all activities, where appropriate, related to the development, construction, operation, maintenance, and dismantling of the renewable energy generation plants. Currently it is limited to land-based wind plants, although the goal is to implement it at all offshore wind, biomass, and other generation facilities that may be placed into operation.

The structure and responsibilities of the environmental management are established in the Environmental Organisation and Arrangements documents. In 2008, the position of Senior Environmental Specialist was established as the person in charge of the environmental management of the activities of the business unit in the United Kingdom. In addition, an environmental training network is being developed for all personnel.

Monitoring of preventive and corrective measures is carried out during the construction phase as well as the operating phase. In the first phase, "Lessons learned" meetings are held periodically among the construction team. These are communicated for adoption in future projects. In the second phase, a Yellow Hazard Card system is established, on the basis of which a database is created that stores all the incidents and measures adopted. This data are is at the industrial level through forums.

In the United Kingdom, nine environmental audits of the Environmental Management system implemented in accordance with ISO standard 14001 have been carried out at facilities in both the construction phase and the maintenance phase. SCOTTISHPOWER RENEWABLES hopes to obtain ISO 14001 certification once the Environmental Management system has been completely implemented.

In the United States, IBERDROLA RENEWABLES holds a leadership position in the promotion and production of renewable energy, for which it received several recognitions and awards during 2008.

The Environmental Policy, called "People and the Environment First," states the commitment of the Company to comply with the law and to minimize environmental impacts in the performance of its activities through the adoption of good environmental practices.

IBERDROLA RENEWABLES has implemented an Environmental Management System, updated with the Environmental Policy of IBERDROLA RENEWABLES as a reference. In spite of not being certified, the elements for the management of environmental aspects follow the basis of ISO 14001, as well as the corresponding laws and regulations.

IBERDROLA RENEWABLES has prepared the first Bird and Bat Protection Plan developed for a United States wind farm, which places it among the companies with the best practices in the wind industry in that country.

Moreover, there is a head in charge of authorizations who is participating in the US Fish and Wildlife Task Force, working on establishing principles for the development of wind plants with other stakeholders. IBERDROLA RENEWABLES is also collaborating with stakeholders in numerous states.

Community Energy has received many distinctions for its activities, as well as its customers for the use of green energy, which reflects the promotion of alternative energies as a fundamental part of its strategy.

In the rest of the international panorama, the various subsidiaries at all times follow the directives regarding the environment established in the corresponding national and European Community laws. The objective for these companies is to gradually get closer to the best practices with regard to environmental management until they reach the establishment of a certified Environmental Management System.

2. ENVIRONMENTAL PERFORMANCE INDICATORS

In this section, a general overview is provided with respect to the following environmental aspects: materials, energy, biodiversity, emissions, effluents and waste.

The information reported by IBERDROLA RENOVABLES corresponds to the facilities in operation which are monitored from the Environmental Management System.

Aspect: Materials

EN1. Material used by weight or volume.

Within the IBERDROLA RENOVABLES Group, the principal materials consumed consist of construction materials for wind farms. These materials are only considered during the phases of constructing and dismantling the farms. During the operating phase of the wind farms, no additional materials are used, with the exception of materials for maintenance (for example, oils, lubricants, spare parts, etc.). By volume in relation to the principal activity of the Company, the generation of wind energy, the consumption of these materials is not considered significant.

EN2. Percentage of materials used that are recycled input materials.

This indicator is not relevant for the IBERDROLA RENOVABLES Group due to the activity conducted by the Company. During the operating phases of the wind farms, no type of material is used; energy is generated through the force of wind. Only during the construction phase does the Company invest in materials, those that are used for the infrastructure of the wind farms, which can only be recovered and recycled at the end of their service life, and are converted into scrap.

Aspect: Energy

EN3. Direct energy consumption by primary energy source.

The activity carried out by the IBERDROLA RENOVABLES Group is that of generating renewable energy from inexhaustible sources, primarily wind farms, which consumes practically no primary energy in the process.

At the Klamath plant, IBERDROLA RENEWABLES⁸ consumes natural gas as fuel. During 2008, approximately 615,781 m³ of natural gas (under normal pressure and temperature conditions) was consumed to produce a gross 3,127 GWh.

⁸ This information has been updated with respect to the information in IBERDROLA's 2008 Sustainability Report.

EN4. Indirect energy consumption by primary energy source.

The activity carried out by the IBERDROLA RENOVABLES Group is that of generating energy from renewable sources, for which the indirect consumption of energy is not significant compared to the volume of renewable energy that is generated. An estimated calculation based on an extrapolation of the consumption of the wind farms in Spain shows that the indirect consumption of energy from the grid for signal lights, start-up of motors, etc., is less than 0.4% of the energy generated.

With regard to consumption in the offices of the IBERDROLA RENOVABLES Group, given that they are managed jointly with the offices of the IBERDROLA Group, the Company does not have separate data available, reporting jointly with the rest of the companies in the IBERDROLA Group. For additional information, please see IBERDROLA's 2008 Sustainability Report which is available at www.iberdrola.es.

At the Klamath plant, IBERDROLA RENEWABLES' approximate self-consumption is reflected in the following table:

Self-consumption of energy (GJ)	2008	2007	2006
IBERDROLA RENOVABLES Group	319,311	146,218	N/A

EN5. Energy saved due to conservation and efficiency improvements.

The activity carried out by the Company is that of generating energy from renewable sources, primarily wind. As has been described above, the consumption of electricity by the IBERDROLA RENOVABLES Group cannot be considered significant in relation to the renewable energy generated. Also, the IBERDROLA RENOVABLES Group invests in efficiency improvements in the generation processes as part of its business strategy, with the aim of increasing the output of the various generation technologies currently in use and is researching and developing new renewable energy sources for the future that are even more efficient, sound, and profitable.

Aspect: Water

EN8. Total water withdrawal by source.

The activity carried out by the IBERDROLA RENOVABLES Group is that of generating renewable energy, primarily wind energy; therefore, the consumption of water primarily occurs at the offices and maintenance buildings of the wind farms and is considered insignificant. By way of example, in 2008, the consumption of water at wind farm monitoring facilities in Spain and the United Kingdom was 667 m³.

The Company's Biodiversity Policy commits it to take into account the effects of its operations on the environment.

As regards consumption at the offices of the IBERDROLA RENEWABLES Group, given that they are managed jointly with the offices of the IBERDROLA Group, the Company does not have separate data available, reporting jointly with the rest of the companies in the IBERDROLA Group. For additional information, one can view IBERDROLA's 2008 Sustainability Report, which is available at its website www.iberdrola.es. In all cases, the water comes from public water supply facilities.

In the particular case of the Klamath plant, water from a local sewage treatment plant is consumed for the cooling systems, as described in indicator EN21.

EN9. Water sources significantly impacted by withdrawal of water (ADD).

No withdrawals of water are made in the IBERDROLA RENEWABLES Group that could significantly affect water

resources or related habitats, due to the fact that the Company's principal activity is the generation of wind energy.

The only withdrawal of water that occurs is at the mini-hydroelectric plants. At this type of plant, the capacity of which is less than 10 MW, it is not always necessary to include a dam in the facility, and if there is one, it must not exceed 15 meters in height. These characteristics mean that the mini-hydroelectric plants can be considered a source of renewable energy that do not generate negative environmental impacts on the ecosystems in which they are located, provided that the ecological flow is respected.

In Spain, at the close of fiscal year 2008, IBERDROLA RENEWABLES had an installed mini-hydroelectric energy capacity of 342 MW and 135 power plants, including most notably the Loriguilla Plant (Valencia), the Talavera Plant (Toledo), the Gavilanes Plant (Ávila), and the Fuensanta Plant (Albacete).

For facilities in operation in Spain that are being monitored through the Environmental Management System, preliminary studies are being performed regarding the technical and economic feasibility of improving the management of the following aspects of the mini-hydroelectric facilities:

La Retorna mini-hydro plant (Logroño).



- Monitoring of the ecological flow.
- Monitoring of the discharge of hydrocarbons into channel beds.

Aspect: Biodiversity

EN11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

In Spain, with regard to the Nature Network (Red Natura) (ZEPAs and LICs), some of the facilities pre-exist the declarations of Common Interest Areas (Lugares de Interés Comunitario) (LIC) or Special Bird Protection Areas (Zona de Especial Protección para Aves) (ZEPA), mainly in the case of the mini-hydroelectric plants.

In keeping with the strategic commitment of the Company to renewable energy, in those cases in which infrastructure is installed on a space within the 200 Nature Network, the reconciliation of the natural aspects for which that Natural Space has been proposed with the installation of the infrastructure will be a priority, so that two fundamental objectives for IBERDROLA RENOVABLES will be achieved: guaranteeing the supply of electricity, thus reducing the energy dependence of the country, and protecting the environment.

To do this, whatever studies and instructions are approved by the government and other bodies are rigorously applied in the Environmental Assessment phases. Therefore, in Spain, Environmental Impact Studies (which are conducted several years before the installation of the project is set in motion), preliminary environmental reports on avian fauna, and environmental evacuation corridors, as well as environmental restoration projects after the completion of a wind farm, are carried out.

In the case of wind farms, the table below reflects the limited surface harm that those farms represent out

of the total area included in 2000 Nature Network in Spain.

In Greece, where the Company has a presence through ROKAS RENEWABLES⁹, only two operational wind farms are located in protected areas of the Nature Network.

The IBERDROLA RENOVABLES Group has no facilities located in protected areas in the United Kingdom, the United States, Poland or France.

EN12. Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.

The documents, “*Environmental effects of the production and distribution of electrical energy: actions for the control and correction thereof and alternative production technologies*” [“*Efectos ambientales de la producción y distribución de energía eléctrica: acciones para su control y corrección y tecnologías de producción alternativas*”] and “*Introduction to the concept of Management of Biodiversity at the Company*” [“*Introducción al concepto de Gestión de la Biodiversidad en la Empresa*”] available at www.iberdrola.es, reflect the most significant impacts of the activities, products, and services of the Group on biodiversity in protected areas and in areas of high biodiversity value outside protected areas.

EN14. Strategies, current actions and future plans for managing impacts on biodiversity.

IBERDROLA RENOVABLES has approved a Biodiversity Policy in which it is established that the Company agrees to take effects on biodiversity into account in the planning, implementation and operation of its energy infrastructures, as well as to raise public awareness about the magnitude of this challenge and about possible actions that contribute to the conservation of biodiversity.

PRESENCE OF WIND FACILITIES IN PROTECTED SPACES

2008

Total Area of Autonomous Community* (ha)	LICs		ZEPAs		IBERDROLA RENOVABLES Wind Farms		
	Total Area LICs (ha)	% of Aut. Comm. Territory	Total Area ZEPAs (ha)	% of Aut. Comm. Territory	Total Area in Nature Network (ha)	% en ZEPA	% en LIC
50,649,688	12,371,595	24.43	9,711,150	19.17	139.14	0.00038	0.00083

*Translator's note: CC.AA. means Autonomous Communities.]

2007

Total Area of Autonomous Community (ha)	LICs		ZEPAs		IBERDROLA RENOVABLES Wind Farms		
	Total Area LICs (ha)	% of Aut. Comm. Territory	Total Area ZEPAs (ha)	% of Aut. Comm. Territory	Total Area in Nature Network (ha)	% en ZEPA	% en LIC
50,649,688	11,909,636	22.21	9,237,745	17.95	139.14	0.000399	0.000858

⁹ This information was not reported in the IBERDROLA Report because it was not available as of the close of the reporting period.

This commitment is undertaken and promoted through this policy with the aim that the various levels of the organization of the Company will gradually integrate the analysis of the effects and the actions for conserving biodiversity into the planning and subsequent development of the Company's activities. It also provides that all IBERDROLA RENOVABLES employees will contribute to meeting the objectives adopted in this field in their daily work.

This policy also establishes the Basic Action Principles, including the following:

- Application of a preventive approach to minimize the impacts of new infrastructures on biodiversity, bearing in mind its entire life cycle, including the stages of implementation, operation and dismantling, for which purpose environmental guidelines shall be prepared for each type of infrastructure project to be carried out by the Company.
- Incorporation of this preventive approach into the Environmental and Social Impact Assessments of new projects, particularly in natural areas that are sensitive, biologically diverse or protected.
- Integration of biodiversity into the Company's Environmental Management Systems (EMS), setting goals and indicators, as well as standards for the control, monitoring and audit thereof within the framework of the EMS.
- Participation in research, preservation, educational, and sensitization projects, cooperating with government agencies, NGOs, local communities and other stakeholders in the development of these projects.

The IBERDROLA RENOVABLES Group also operates in compliance at all times with the laws and regulations of the various countries in which it operates, which provide for the obligation to protect biodiversity and habitats.

In addition, SCOTTISHPOWER RENEWABLES has a Sustainable Development Policy and a Biodiversity



Conservation Strategy that serve as a guide to ensure sustainability in decision-making processes and in process development.

A Biodiversity Conservation Strategy is established for the development of new and existing wind farms. The principal strategic guidelines are those described below, which will later materialize in specific objectives:

- "To promote and establish the appropriate management of the most representative habitats on the national and international level and their species on wind farms throughout the country."
- "To promote sustainable wind farms through the development of research on environmental impacts and to develop the best practices to correct impacts."

This entire focus on managing biodiversity within the IBERDROLA RENOVABLES Group is reflected in the performance that the Company has achieved in this area during fiscal year 2008, in accordance with the following lines of action:

For wind farms.

In Spain, IBERDROLA RENOVABLES has monitored terrestrial fauna, avian fauna and bats and has carried out environmental and vegetation restorations during the operating phase of the wind farms. It has also implemented a geographical information system for monitoring aspects of the environmental management of the facilities from their design phase up to the operating phase. For the Promotion Phase of wind farms, the following actions have been carried out:

- Avian fauna and bat studies.
- Preparation of a Good Environmental Practices Manual for the installation of wind farms.
- Environmental and vegetation restorations.
- Installation of bird-protection beacons on the electrical energy evacuation lines.

IBERDROLA RENOVABLES invests to improve efficiency in generation processes and to develop new sources of renewable energy.



In the United Kingdom, SCOTTISHPOWER RENEWABLES has successfully achieved many of the goals for improving the management of biodiversity through Habitat Management Plans (HMPs). These plans have been set up at the following wind farms: Beinn an Tuirc, Cruach Mhor, Black Law, Beinn Tharsuinn, Wether Hill, Whitelee, Greenknowes, Hagshaw Ext, Dunlaw Ext, and Beinn an Tuirc 2.

At the present time, SCOTTISHPOWER RENEWABLES has 59.3Km² managed by the HMPs in the wind farms in operation and 2.6Km² in the farms that are in the construction phase. In total, these habitat management areas cover about 62 Km². For additional information on these projects, see http://www.scottishpowerrenewables.es/pages/summary_of_plans.asp.

In the United States, IBERDROLA RENEWABLES completed the Avian and Bat Protection Plan, the first in the United States wind energy industry. This Plan establishes an internal process that will aid the company in responsibly developing wind energy. This Plan takes into account the migratory periods of birds, the reproduction periods of the species, and other federal and state regulations. IBERDROLA RENEWABLES has been working for approximately one year with the Migratory Bird Program and the Office of Law Enforcement to develop and improve the plan.

The IBERDROLA RENEWABLES project includes the corporate Biodiversity Policy and establishes a process for maintaining relations with agencies and non-governmental organizations near the sites for the evaluation of projects at their different stages. For additional information, the plan is available at www.iberdrolarenewables.us/pdf/Signed_ABPP_10-28-08.pdf.

In Greece, ROKAS RENEWABLES has prepared a series of studies in 2008 for the development of several wind farm projects, which are listed below:

- Eleven preliminary Environmental Impact Studies.
- Four studies of avian fauna for wind farm projects.
- Two reforestation studies.

In France, IBERDROLA RENEWABLES conducted a study in 2008 to monitor the avian fauna of the Fitou wind farm.

In addition, as regards responding to accidents and incidents, there are a large number of oil spill control plans set up at the wind farms of the IBERDROLA RENEWABLES Group in 2008, which will aid in protecting biodiversity and the environment from the most common chemical risks at the wind farms. Also, the management of environmental emergencies caused by fires at wind farms has improved.

For mini-hydroelectric plants.

In Spain, IBERDROLA RENEWABLES has monitored terrestrial fauna, avian fauna and bats, and has carried out environmental and vegetation restorations during the operating phase of mini-hydroelectric plants. It has also fenced in and cleaned waterways, and small-mesh grilles and gratings, sound barriers, and ramps have been installed in waterways. Fish ladders have been inspected and preserved.

Within the Environmental Objectives Program of the Environmental Management System, a study has been conducted to minimize the environmental impact on local flora and fauna caused by the use of oils, greases, and lubricants at mini-hydroelectric production plants.

In Greece, two Preliminary Environmental Impact Studies were completed in 2008 within the framework of preparing two new mini-hydroelectric plants.

Almost all of IBERDROLA RENEWABLES' installed capacity (94%) comes from sources that do not emit CO₂ into the atmosphere.

Case Studies on the Protection of Biodiversity.

In the United States, IBERDROLA RENEWABLES has developed the Casselman project to check the effect of stopping the turbines in light wind conditions to prevent bat deaths and to determine the reduction in the total electricity generated during the shutdowns.

MERLIN radar has been installed at the Peñascal wind farm project to contribute to preventing bird and bat injuries and deaths related to the turbines. The radar detects bird and bat activity at a distance, even in conditions of low visibility, making it possible to stop the turbines and reduce the risk of injuries and deaths.

Cooperation Agreements with NGOs and Government Agencies.

Various agreements were signed in 2008 with government agencies, NGOs and other companies dedicated to environmental protection and biodiversity, such as those signed in Spain to make use of Residual Forest Biomass.

In the United Kingdom, the channels of communication that SCOTTISHPOWER RENEWABLES maintains with neighboring communities, which include "Community Liaison Meetings" throughout the life of the project, are noteworthy. "Community Trust Funds" are also set up for the operating period of the project. Local projects of an environmental, charitable, or educational nature are also promoted.

In the United States, IBERDROLA RENEWABLES has established cooperation agreements with The American Wind and Wildlife Institute (AWWI), Bat Conservation International, and The Bats and Wind Energy Cooperative (BCI/BWEC). This last cooperative is developing the monitoring of various projects of IBERDROLA RENEWABLES in the United States.

Aspect: Emissions, effluents and waste

EN16. Total direct and indirect greenhouse gas emissions by weight.

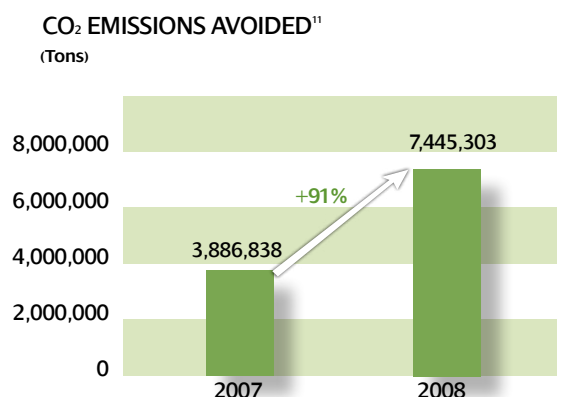
Almost all installed capacity (94%) comes from sources that do not emit CO₂ into the atmosphere, while the

remaining 6% comes from some of IBERDROLA RENEWABLES' facilities in the United States. Those plants, and especially the Klamath cogeneration plant, are among the most advanced in the world. At the time it was put into service, the Klamath plant was the cleanest plant ever installed in the United States in terms of CO₂ emissions.

1,154,421 tons of CO₂, 125.7 tons of CO, and 9.2 tons of volatile organic compounds were generated at the Klamath Plant¹⁰.

The remaining activities of the IBERDROLA RENEWABLES Group cannot be evaluated by their emissions, since they are renewable energy facilities and do not emit CO₂. Therefore, the reference indicator that allows for an evaluation of their environmental performance is the volume of CO₂ emissions avoided. To calculate the emissions avoided, the free release of emissions in a specific country and the generation mix of that country (see emission factor table) are taken into account. According to these calculations, the emissions avoided by the IBERDROLA RENEWABLES Group in 2008 amount to 7,445,303 tons of CO₂, based on a production total of 16,998 GWh.

Also, in the last year, the CO₂ emissions avoided by the production of the IBERDROLA RENEWABLES Group has increased by 91% due to the increase in our generation plants using clean technologies, which reinforces the Company's commitment to caring for the environment.



¹¹ The data on CO₂ emissions avoided in 2007 do not agree with those reported in the 2007 Sustainability Report due to being pro forma MW.

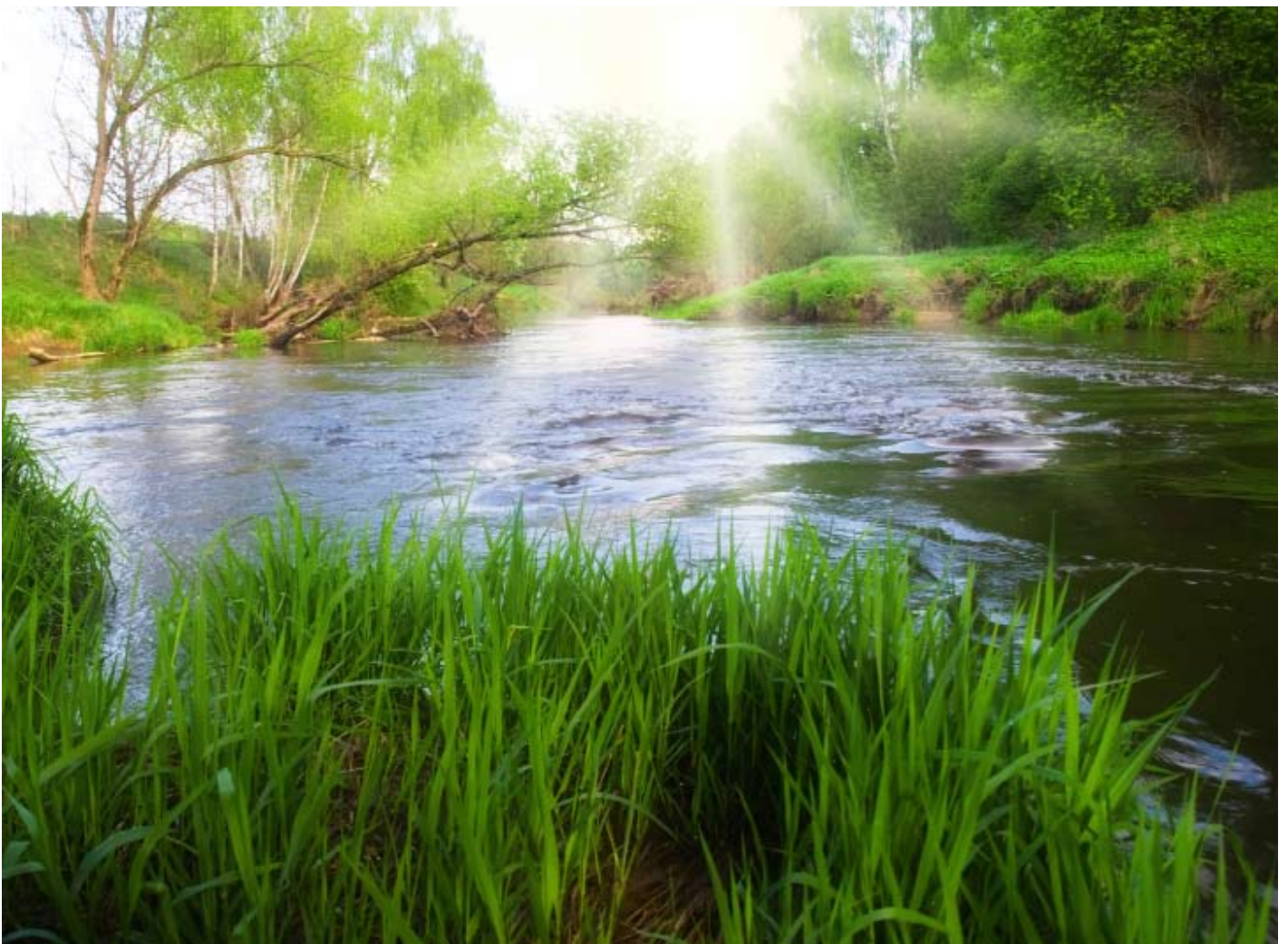
¹⁰ The data on the Klamath plant correspond both to the principal Klamath cogeneration plant and the 117.6 MW secondary plant that handles peak demand, which operates intermittently.

The table below shows the total tons of CO₂ avoided per GWh produced:

IBERDROLA RENOVABLES Group	Production	Tons of CO ₂ avoided
	[GWh]	[TNs CO ₂]
	16,998	7,445,303

The amount of tons of CO₂ avoided has been calculated based on the emission factors of the generating mix (tons of CO₂/MWh) of the various countries in which the IBERDROLA RENOVBABLES Group operates, according to the following source: "CO₂ Emissions per kWh from Electricity and Heat Generation" from the International Energy Agency's report "CO₂ EMISSIONS FROM FUEL COMBUSTION 2008 Edition. Emission factors for 2006" and the renewable production of the IBERDROLA RENOVBABLES Group in the various countries in which it operates.

The CO₂ emissions avoided by the IBERDROLA RENOVBABLES Group during the last year increased by 91% due to the increase in our generation plants using clean technologies.



One of the principal objectives in waste management is to gradually set up minimization and recycling plans.

EN17. Other relevant indirect greenhouse gas emissions by weight.

This type of indirect greenhouse gas emissions does not come from the principal activity of the IBERDROLA RENOVABLES Group, but rather is indirectly induced by the Company. It involves indirect emissions of CO₂ associated with the consumption of energy used in offices, as well as emissions associated with the consumption of fuel used in employee travel. As has already been noted in previous indicators (EN4 and EN8), the Company does not have separate data available, reporting jointly with the other companies of the IBERDROLA Group. For additional information, see IBERDROLA's 2008 Sustainability Report, which is available at www.iberdrola.es.

EN18. Initiatives to reduce greenhouse gas emissions, and reductions achieved.

The operating regimen of the Group's production facilities has avoided the generation of CO₂ emissions as described in EN16. Additional information about other initiatives can be found in indicator EN5.

EN19. Emissions of ozone-depleting substances by weight.

Chlorofluorocarbons (CFC) and halons, long used as coolants and propellants, affect the ozone layer if they are released into the atmosphere. At the Group's facilities, ozone-depleting substances have a very limited presence and may be located in the offices and buildings for operational control of the wind farms, primarily in fire extinguishing equipment.

All the equipment is maintained in accordance with the provisions of current regulations. The only emissions into the atmosphere originating from these confined products are those arising from possible leaks, which are practically insignificant.

As specified in the international conventions on the management of chemical products that are harmful to the ozone layer, the use thereof will be restricted in most countries beginning in 2010. Therefore, the policy of IBERDROLA RENOVABLES is based on gradually reducing their presence within its facilities.

As pointed out in indicator EN17, since the offices of the IBERDROLA RENOVABLES group are managed jointly with the offices of the IBERDROLA Group, the Company does not have separate data available, reporting jointly with the other companies of the IBERDROLA Group. For additional information, see IBERDROLA's 2008 Sustainability Report, which is available at www.iberdrola.es.

EN20. NO_x, SO₂ and other significant air emissions by type and weight.

This indicator only applies to the cogeneration and combined cycle plant in the United States, the Klamath plant, which emitted 6.1 tons of SO₂, 157.2 tons of NO_x, and 18.4 tons of particles into the atmosphere during 2008.

The remaining activities of the Company do not generate this type of atmospheric emissions since the principal activity of IBERDROLA RENOVABLES is characterized by its environmental sustainability, generating renewable energy from renewable sources.

EN21. Total water discharge by quality and destination.

Given the nature of the activities carried out by the IBERDROLA RENOVABLES Group, there is no water discharge, with the exception of the discharge at the Klamath plant in the United States, where most of the water used in the cooling processes comes from the treatment plant, of which 1/3 evaporates and 2/3 returns to the treatment plant with the proper pH and without a change in the water quality. Only 1% of the water used at the plant is potable and suitable for human use.

In addition, in Spain the discharge of wastewater into septic tanks has been ended. Practically all septic tanks were closed down in 2008. It is anticipated that the pending work will be finished during 2009, at which time

Use of water in production facilities in 2008	Consumption		
	Collection (m ³)	Consumption in cooling. Evaporated water (m ³)	Discharge (m ³)
IBERDROLA Renovables Group	6,656,560	2,218,853	4,437,706

this project will be considered completed. The total work done is summarized in the following figures: 13 facilities have been closed in Castilla y Leon and 24 facilities have been closed in Castilla-La Mancha, while two others are still in the process of being closed down. These projects have involved an investment of €104,185 and €175,200 respectively.

EN22. Total weight of waste by type and disposal method.

Below is a summary of the hazardous and non hazardous waste generated by the IBERDROLA RENEWABLES Group during 2008.

In Spain, the facilities in operation which are monitored through the Environmental Management System generated a total of approximately 95 tons of non-hazardous waste, including organic waste, typical urban waste, and inert waste and waste that can be rendered inert. For this type of waste, IBERDROLA RENEWABLES maintains minimization and recycling plans in addition to awareness raising campaigns that will be of advantage in the adoption of good environmental practices by employees.

With respect to the generation and management of hazardous waste, in facilities in operation which are monitored through the Environmental Management System, a total of approximately 461 tons of hazardous waste were found, including hydrocarbon waste or waste impregnated with hydrocarbons, as well as impregnated containers, selective collection waste, and emulsions, of which 320 tons were recycled, which means that 69% of Hazardous Waste was recycled in Spain.

In addition, in the various areas, actions are carried out to minimize and improve the management of the hazardous waste generated, which actions are part of the certified environmental management system. The waste is delivered periodically to authorized handlers for proper treatment.

In the United Kingdom, SCOTTISHPOWER RENEWABLES generated nine tons of non-hazardous waste at the facilities of internally managed wind farms in operation during fiscal year 2008. In the case of hazardous waste, more than nine tons were found, including oily waste, recycled oily waste, oil filters, rags, cartridges impregnated with oily substances, and impregnated drums.

In addition, the preparation of a Waste Compliance Register commenced in 2008 which will contribute to the management of all the wind farms in operation and will apply to those managed internally as well as by third parties. The establishment of a Waste Management Plan for each wind farm is also planned both for those

in the construction stage as well as in the operating phase, to record the waste generated and to promote the reduction, reuse and recycling thereof.

With respect to waste generated during the construction phase, SCOTTISHPOWER RENEWABLES stipulates that the principal contractors of the work have an Environmental Management System in compliance with ISO 14001.

With respect to the waste generated during the operating phase, SCOTTISHPOWER RENEWABLES has established an Operational Environmental Management System for internally managed wind farms. This System specifies the details of the responsibilities and procedures for the storage of waste and its storage facility. Some local initiatives have commenced, which include the separation and recycling of waste at the monitoring buildings for Black Law and Whitelee.

Furthermore, a recycling system for paper, plastic, CDs and batteries has commenced at SCOTTISHPOWER RENEWABLES's central office facilities in Cathcart (Glasgow), jointly with SCOTTISHPOWER's facilities.

In Greece, ROKAS RENEWABLES generated approximately 19.4 tons of hazardous waste, including air and oil filters, drums and containers with oil or chemical product waste, batteries and other hazardous waste.

In general, and with respect to the generation of this waste, IBERDROLA RENEWABLES is mindful of the need to raise awareness with regard to protecting the environment in order for the Company to be a model of good practices through its principal strength, its employees. To do this, one of the principal objectives in waste management is to gradually set up minimization and recycling plans.

In accordance with regulations in the United Kingdom, the generation of waste requires must comply with the 1991 Environmental Protection Regulations, which require that any transfer of waste be properly recorded in order to assist the transport of the waste. Furthermore, the regulations establish additional obligations on the part of the generators and managers of waste and any person in the supply chain to consider the manner in which the waste is handled.

On the other hand, polychlorobiphenyls (PCBs) are substances that are not generated through the activities of the Company, but rather have been marketed for years by manufacturers of electrical equipment and used primarily in transformers and capacitors due to their optimal dielectric properties. The IBERDROLA RENEWABLES Group is working to complete the elimination of PCBs in accordance with the current

The activities of the IBERDROLA RENEWABLES Group, primarily the generation of wind energy and other renewable energies, produces insignificant negative environmental impacts.

laws and regulations in each country. In Spain, they must be eliminated by those who possess them by the dates reflected in the current laws and regulations (2010). To do this, IBERDROLA RENEWABLES has undertaken a review and declaration of inventory in accordance with applicable legislation and the annual declaration of equipment with PCBs dealing with the change in ownership that was carried out. The Autonomous Communities to which this declaration had to be submitted were: Cantabria, Castilla y Leon, Castilla-La Mancha, Valencia, Navarra, the Basque Country and Murcia. In total, the following equipment was declared: 12 capacitors (506 kg), 6 transformers (9,310 kg) and oil drums (5,326 kg). The total cost of the actions taken was 15,300 euros. Ninety analyses were conducted, 30 through internal control and 60 by certified laboratory. The total cost of the analyses conducted was 5,200 euros.

In Spain, the United Kingdom, and the United States, the IBERDROLA RENEWABLES Group is carrying out various activities to improve the control and reduction of emissions, spills and waste in line with the IBERDROLA Group's Environmental Management System, which provides a procedure for reporting accidents and incidents that occur at the facilities. In addition to periodic reviews, an annual review within the management process compiles data throughout each fiscal year that is used to derive all necessary corrective and/or preventive actions.

EN23. Total number and volume of significant spills.

The IBERDROLA RENEWABLES Group, within the framework of its Environmental Management System, establishes plans for self-protection and emergency action and periodically carries out drills to prevent any type of environmental incidents from occurring at its facilities. Fire prevention plans and spill control plans are common. For example, in Spain, all facilities have a self-protection plan that is reviewed and renewed annually. The personnel of the facilities attend training days that are held annually at the work centers themselves, during which an emergency drill exercise is conducted. All contractors operating at the facilities also participate in these training days. In addition, in

the United States, many emergency plans have been developed in accordance with the requirements of the laws and regulations in force. The most harmful substance is ammonium anhydride at Klamath Energy, for which a safety management system has been developed, of which the entire staff is informed.

Due to all these efforts, there have been no incidents involving a significant spill¹² at the IBERDROLA RENEWABLES Group.

Aspect: Products and services

EN26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.

The activities of the IBERDROLA RENEWABLES Group, primarily the generation of wind energy and other renewable energies, produces insignificant negative environmental impacts in relation to the positive impacts produced by the Group's activities. IBERDROLA RENEWABLES covers the energy demand of the societies in which it operates, contributes to the progress and sustainable development of those societies, cares for the overall environment, and contributes to the fight against climate change. In 2008, it avoided the emission of 7,445,303 tons of CO₂ into the atmosphere.

The company Community Energy in the United States is a tremendous promoter of "Green Energy" in businesses and has been recognized with many awards for its long list of industrial customers that purchase green energy. This provision of services leads customers to demand more green energy products and services that contribute to preserving the environment. The awards received reflect the leadership of Community Energy in the industry.

EN27. Percentage of products sold and their packaging materials that are reclaimed, by category.

This indicator is not relevant for the IBERDROLA RENEWABLES Group since the principal product it generates, electricity, does not generate any type of waste that can be reused.

Aspect: Compliance

EN28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

In Spain, certain environmental sanction proceedings of limited materiality were initiated during 2008, but there are no final decisions involving the payment of fines.

¹² A "significant spill" is understood to be a spill that causes damage to the environment outside the facility and that must be reported to the Government. During the operation and maintenance of facilities, small spills can occur inside the facilities which are appropriately treated and even reported if necessary.

In the international arena, during 2008, no environmental sanction proceedings were brought against any of the companies of the IBERDROLA RENOVBABLES Group that operate in the various countries.

Aspect: Overall

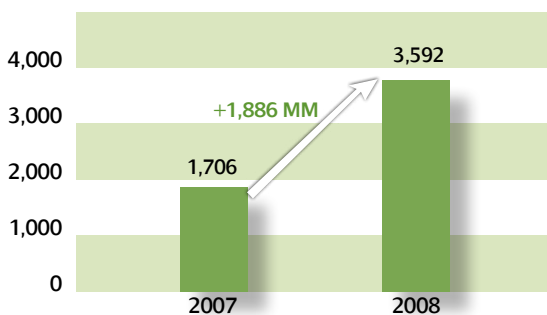
EN30. Total environmental protection expenditures and investments, by type.

The IBERDROLA RENOVBABLES Group recorded 2.78 million euros in environmental expenses in 2008.

IBERDROLA RENOVBABLES doubled its investment in clean generation facilities over the previous year, reaching 3,592 million euros in 2008 (See graph).

INVESTMENT IN CLEAN TECHNOLOGIES

(Millions of euros)



Some of the most emblematic projects in the area of environmental investment are described below:

Hammerfest marine energy project.

In the United Kingdom, during 2008, SCOTTISHPOWER RENEWABLES has been evaluating three coastal sites for the development of the largest marine energy project in the world. Two sites are located in Scotland, in Pentland Firth and in the South of Islay, and the third in Northern Ireland, on the North Antrim coast. A technical review, resource assessment, and scoping study were carried out as part of the feasibility study for the sites.

Each site is being evaluated for the installation of between 5 and 20 offshore turbines, which will generate a combined 60MW. It is proposed that the infrastructure complete the tests under the conditions of the Scottish coast, leading all the technological development of offshore wind farms up to 2011.

This marine infrastructure has been developed by Hammerfest Strøm AS, a company jointly owned by SCOTTISHPOWER RENEWABLES, StatoilHydro, and Hammerfest Energi.

The Hammerfest project is among the most advanced turbines in the world, after an exhaustive and successful testing process in Norway. It is expected that the prototype will be developed to provide a large scale 1 MW pilot project. IBERDROLA RENOVBABLES participates in this project through Inversiones Financieras PERSEO, a venture capital company of the IBERDROLA Group, in which IBERDROLA RENOVBABLES has a 70% interest. The investment of Inversiones Financieras PERSEO in the project was approximately 1.6 million euros as of year-end 2008.

Investment in Carbon Funds.

In the United States, IBERDROLA RENEWABLES has contributed approximately 2.3 million euros to The Climate Trust on behalf of the Klamath cogeneration plant for the reduction of CO₂ emissions.

"The Klamath Cogeneration Plant has been, and continues to be, a pioneer in the use of carbon offsets as a mitigation tool for new power plants. The Climate Trust receives funds from new power plants regulated by the Oregon Carbon Dioxide Standard and invests in high quality projects that reduce atmospheric carbon dioxide levels," said Mike Burnett, Executive Director of The Climate Trust.

In addition, to provide funding for The Climate Trust, the plant has sponsored reforestation projects in Oregon, methane recovery at coal mines in Ohio, geothermal expansion at Klamath Falls, and solar electrification in Sri Lanka to offset a portion of its emissions.

The Hammerfest marine energy project in the United Kingdom, with one of the most advanced turbines in the world, was tested in Norway with great success.



LABOR PRACTICES AND DECENT WORK

People come first at IBERDROLA RENOVABLES. The Company maintains its commitment to the creation of employment, training, work/life balance, the integration of employees into the Company's projects and programs, and the prevention of occupational risks. The Code of Professional Conduct forms an integral part of the IBERDROLA Group, and formalizes the principles, values and rules of conduct for all professionals, with the most prestigious international safety and health certifications.

1. MANAGEMENT APPROACH

a) Policies, Codes and Collective Bargaining Agreements

As a member of the IBERDROLA Group, IBERDROLA RENOVABLES has a Code of Professional Conduct (the “Code”) which formalizes the principles, values and standards of conduct for all professionals who are part of the Company.

The Code applies to all the companies belonging to the IBERDROLA Group. Such Code is conceived as an element in the service of the Strategic Plan and as a reference guideline for all groups with which the Company interacts: employees, shareholders and the financial community, regulatory agencies, suppliers, the media, society, customers, etc. It is available through the “Employee Portal” and on the Company’s website: www.iberdrolarenovables.es.

The Code acknowledges the commitment of employees to protect the Company’s interests and spells out the corrective measures to be taken when circumstances so require. It further states that, in the event of questions or in circumstances not specifically contemplated in the Code, employees must consult with their immediate supervisor or with the Human Resources Division to resolve the matter in question.

SCOTTISHPOWER RENEWABLES and IBERDOLA RENEWABLES in the United States also have a code of conduct and disciplinary rules of their own.

Collective bargaining.

The IBERDROLA RENOVABLES Group respects the right of its employees to be represented by trade unions or other legitimate representatives and, through them, to participate in negotiations to reach agreements on their working conditions.

IBERDROLA RENOVABLES, as a company that is within the scope of the 4th Collective Bargaining Agreement of the IBERDROLA Group, has assumed a firm commitment to social dialogue with its employees, primarily through their trade union representatives on the various existing bodies and committees for employee participation.

In fiscal year 2008, 47.25% of the workforce of the IBERDROLA RENOVABLES Group was covered by collective bargaining agreements.

The 4th Collective Bargaining Agreement applies at all work centers in Spain, and practically all employees are represented therein. Worthy of note among the commitments and goals included in such Bargaining Agreement are the following:

Employment:

- As a general principle, continued employment is guaranteed through the application of reorganization or outplacement policies. Should these not be sufficient, provision is made for a smooth termination of employment that combines the interests of the companies with those of employees to maintain employment and working conditions.
- The specific commitments that are established include the creation of employment and the guarantee of stable and high-quality jobs, among others.
- The professional classification of employees is established by professional groups in accordance with the degrees required, professional qualifications and job content. Professional groups are used to match positions to Social Security rates.
- Employment policies are in place that legally reinforce and strengthen employees’ guarantees of continued employment in high-quality and stable jobs and which ensure ongoing improvement in access to employment.
- Specific employee rotation measures are established to improve organizational efficiency.

Relations between the Company and its employees:

- Management establishes the organization of work in accordance with applicable law, while making the required organizational adjustments to assimilate changes in the environment. The goal is to enhance competitiveness through the addition of new technologies and to make them consistent with maintaining employment and the professional development of employees, providing access to employment for new employees.
- Employees carry out their customary work in their assigned jobs. However, if required and so directed by the head of the respective division, they must render services where required, in every case in accordance with legal provisions and with the provisions of the 4th Collective Bargaining Agreement.
- The terms and conditions for the hiring and promotion of employees, as well as all aspects affecting employees, such as work regimens, shift categories, working hours, vacation, time off and leave are specified and agreed.
- The salary structure, supplemental pay, other expenses and form of payment is defined.
- There is a Benefit System supplemental to the General Social Security System.
- The Benefits offered to employees are specified, as well as the conditions for obtaining them.

The Code of Professional Conduct formalizes the principles, values and standards of conduct for all of the Company’s professionals.



Equipment operator at the Maranchón wind farm (Guadalajara).

- The principal aspects governing social/labor relations are defined, as are the actions of labor union sections (*secciones sindicales*) and the duties of union representatives.

Diversity and Equality of Opportunity:

- The right to the reconciliation of personal, family and working life is acknowledged and greater responsibility among women and men is promoted in assuming familial obligations. Within this context, the Board of Directors of IBERDROLA RENOVABLES has approved a Policy for the reconciliation of personal and working life and equality of opportunity.

Concomitantly, the IBERDROLA Group's 4th Collective Bargaining Agreement substantially improves on some of the rights established by law in connection with, among others,

- Paid vacation.
- Breast-feeding time.
- Reduction in working hours for familial obligations.
- Leave.
- Change in job position.
- Adjustment of the corporate organization to allow the exercise of the right to reconcile personal, family and professional life.

- Employees are guaranteed and made aware that those who exercise the right to reconcile working and

family life may not be discriminated against in any way and shall retain all their employment rights.

Last, the Code of Professional Conduct includes specific references to:

- Equality in access to employment.
- Selection based on candidates' merits and qualifications.

These principles ensure that the selection and recruitment process is strict and based solely on individual merit, without any discrimination whatsoever.

Safety and health at work:

IBERDROLA RENOVABLES has an Occupational Risk Prevention Plan based on the following pillars:

- The integration of preventive standards at the organization, entailing the assignment to all job categories and the assumption by them of the duty to include prevention in all activities they carry out or cause to be carried out and in all decisions made.
- The promotion of training and social participation in order for each employee to receive sufficient and adequate training, both at the time of hiring and following changes in the employee's duties or the introduction of new technology or production equipment.

Team at the El Marquesado wind farm (Granada).



- Provision of appropriate facilities and human and material resources to carry out the necessary preventive activities.
- Enhanced preventive monitoring of outsourced work, as well as training of subcontractors' employees in occupational risk prevention.
- The company shall coordinate the corporate occupational risk prevention activities of contractors, subcontractors and freelancers hired by the Company, in accordance with the provisions of current laws and regulations.

IBERDROLA RENOVABLES has a Local Safety and Health Committee, as a body for the participation of employees, through their representatives, in aspects relating to the safety and health of all IBERDROLA RENOVABLES' employees. It also participates in the Central Safety and Health Committee of the IBERDROLA Group.

Along these lines, the Company promotes a policy and culture of integrating prevention into all its areas of activity, as well as of active participation of all employees therein. Such occupational risk prevention policy is available under "Our policies" on the Company's website:

www.iberdrolarenovables.es.

Training, education and knowledge management:

Aware that intellectual capital is a basic pillar for the creation and protection of the Company's value, the Board of Directors takes as its strategic objective the appropriate management of knowledge for the development of its people and of new business opportunities for the Company. In this connection, in the first quarter of 2009 it approved the Knowledge management policy.

In addition, and within the framework of the 4th Collective Bargaining Agreement, IBERDROLA RENOVABLES has taken up various commitments, of which the following deserve mention:

- The Company provides the required means of training and employees commit to acquiring the necessary knowledge and skills to update their professional qualifications.
- In-house training observes the equal opportunity principle.
- Training promotes:
 - Professional improvement for job performance.
 - Adjustment of human resources to technological and organizational changes.
 - Adaptation of new employees to the Company.
 - Better professional development, creating expectations of promotion.
- Significant training deficiencies will be subject to mandatory correction as soon as practicable.
- Employees may request courses to improve their professional development.

- The company prepares an Annual Training Plan setting forth the available training programs.

Labor practices and disability:

In day-to-day operating practices, the IBERDROLA Group follows a policy of awareness-raising and support for the training and integration of persons with disabilities. In this connection:

- In order to give effect to the principle of non-discrimination, it is specified that the company will assign employees with a diminished ability to perform their duties for medical reasons and who do not obtain the declaration of permanent disability to the vacancy in the same category that is most suitable to their skills and knowledge.
- IBERDROLA RENEWABLES is acutely conscious of social commitment and complies with the goals established in current legislation regarding the hiring of persons with disabilities, be it through direct hiring or through the respective legally established alternative measures. Consistently therewith, IBERDROLA RENEWABLES has established a number of agreements providing for gifts to entities or foundations whose purpose is the professional training and entry into the job market of, or the creation of employment for, persons with disabilities, as well as contracts with special employment centers.

International level

Collective bargaining.

In other countries, the IBERDROLA RENEWABLES Group has followed the same practice in connection with collective bargaining agreements, which consists of adhering to the collective bargaining agreement for the industry in each of the countries where it operates, if the company does not have a collective bargaining agreement of its own, or else apply the rules and regulations existing in the alternative, always within the legal framework of each country.

ROKAS RENEWABLES is also covered by a Collective Bargaining Agreement that includes the principles governing the workforce on matters such as employment, working hours, social assistance, etc.

Benefits.

The aim of the IBERDROLA RENEWABLES Group is to offer all its employees the same benefits, regardless of the place where they work. This offer of social welfare benefits will be dependent on the situation in each country. The majority of social-welfare benefits, such as life insurance and private medical insurance, are offered on an almost generalized basis to all employees throughout the world, or the implementation thereof is being analyzed.

IBERDROLA RENEWABLES is certified as a Family-Responsible Company.

Safety and Health.

As far as Occupational Risk Prevention is concerned, SCOTTISHPOWER RENEWABLES has a Prevention Management System in place since March 2009 that conforms to the OHSAS 18001 standard.

Furthermore, SCOTTISHPOWER RENEWABLES employees have access to SCOTTISHPOWER's Occupational Health services, including campaigns to promote health and welfare. For example, an employee information program was carried out regarding the prevention and treatment of smoking-related conditions.

In the United States, IBERDROLA RENEWABLES also has an Occupational Risk Prevention system that is effectively integrated into all areas and work teams across the organization, which assigns great importance to training. Such system applies to all activities. Significant awards have been obtained in this area that bear witness to the success of the System, such as, for example "OSHA Sharp Certification" and a "Certificate of Recognition in Health & Safety Management by the Government" in Alberta.

In addition, IBERDROLA RENEWABLES offers its employees illness treatment plans, including for major serious illnesses. This plan is available for full-time as well as part-time employees (provided that they work more than 20 hours per week). The coverage ranges from routine tests to hospital treatment. When selecting their coverage, employees can elect to include family members in their plan.

In Greece, prevention systems are also in place that are perfectly integrated into all the activities of the company.

b) Responsibility for the organization

Responsibility for coordination of workplace labor practices and ethics lies with the Human Resources Division, which reports to the Corporate Resources Division.

Owing to the importance attached to the prevention of occupational risks, responsibility for coordination of this matter lies directly with the highest-ranking officer of the company.

c) Evaluation and monitoring. Certifications

IBERDROLA RENOVABLES has procedures and instruments in place to monitor and assess activities in the area of labor practices and workplace ethics:

- IBERDROLA RENOVABLES holds the “Family-Responsible Company” certificate, obtained in 2007 and valid for three years, which is externally and internally audited on an annual basis. The Family-Responsible Company certificate recognizes the responsibility of those companies who wish to reconcile family and working life by implementing policies at the workplace that will result in a better quality of life for employees, by evaluating various factors such as job stability, flexible working hours or support for integration, family and equal opportunities. It also recognizes the Company’s efforts to promote gender equality through the gradual hiring of women for positions of responsibility. The certification is based on a review, by means of an external audit conducted by Lloyd’s, of the processes and results of the family-responsible policies and measures developed by the Company.
- In the field of prevention, during 2008 the external auditing entity TÜV-Rheinland conducted an external audit of the Occupational Risk Prevention management systems of IBERDROLA RENOVABLES in accordance with the OHSAS 18001:2007 standard, and the Company thus became the first company of the IBERDROLA Group to renew this certification in accordance with this exacting standard.
- SCOTTISHPOWER’s prevention management system, which also applies to SCOTTISHPOWER RENEWABLES, is implemented in each business and is audited by the corporate organization responsible for Safety and Health at that company. Since March 2009, all facilities and businesses are certified to the OHSAS 18001 standard.

- In the Training area, a single training management model was implemented at Iberdrola in 2007. This process led to the Company obtaining the In-house Training Service Quality Management System Certificate, following the customary audit by AENOR. Such certificate applies to IBERDROLA RENOVABLES, S.A. and was renewed in late 2008.

d) Risks and opportunities

Risk Management and Control.

IBERDROLA RENOVABLES continued throughout 2008 to take the actions necessary to minimize safety-related risks and to improve accident rates and safety at work, and the necessary actions were taken in that regard, as shown under indicator LA7.

Perception Survey.

During the last quarter of 2008, IBERDROLA RENOVABLES and IBERDROLA RENEWABLES participated in a survey to determine employees’ perceptions of the changes that occurred following the integration of all the companies making up the IBERDROLA Group.

e) In-house communications

The transmission of unified, clear and effective messages is essential to successfully integrate new teams and new ways of working. Informing employees of what happens at any time is vital to gain the trust of all those involved, which is essential for them to feel that they participate and are players in the future of the Company.

IBERDROLA RENOVABLES has used various communication tools and vehicles to make information available to the entire workforce, through in-house magazines, the Employee Portal, electronic newsletters, the employee mailbox, banners, posters, brochures, bulletin boards, letters from the Chairman, the Christmas card contest, etc.

The following communication tools are also worthy of mention:

- Reception meetings to present the organization of the company and the collective bargaining agreement.
- Reception and Integration Plan (*Plan de Acogida e Integración*) (PIA), intended to provide an overall view of the company and the market. Three such plans are carried out each year.

Both are intended for all newly-hired employees.

Communication is also maintained with the management team through the following channels:

- Meetings with employees, known as “Road Shows,” are organized both at the domestic and the

IBERDROLA RENOVABLES continued throughout 2008 to take the actions necessary to minimize safety-related risks and to improve accident rates.

Control center at the El Marquesado wind farm.

international level on an annual basis, and the purpose of which is to inform the workforce of the performance and operation of the company, as well as to share with them the results, recognitions, challenges and initiatives of the Company.

- Breakfasts are regularly organized at which newly-hired employees meet with the Director of Corporate Resources.
- The Management Committee of IBERDROLA RENOVABLES meets on a monthly basis. The purpose of such meetings is to monitor the strategy of the Company and the various divisions thereof. It is intended for both the domestic and the international management teams. The conclusions reached and the decisions adopted are communicated regularly through the Group's Employee Portal.

Internal Communications in other countries

The internal communication tools and vehicles at the Group's international level are aimed at the integration of employees into the various projects of the Company, as well as at providing transparent information on an ongoing basis to all its employees. All information concerning the IBERDROLA Group, of which the Company is part, may be accessed through the Employee Portal. Information is also provided through various in-house magazines and other channels, such as electronic newsletters, periodic meetings with Directors, publications, videos, etc.

2. LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS

The scope of the report is described in section 3.6: Boundary of the Report.

Aspect: Employment

IA1. Total workforce by employment type, employment contract and region.



TOTAL WORKFORCE BY EMPLOYMENT TYPE, EMPLOYMENT CONTRACT AND REGION

Breakdown of the workforce	2008			2007 ¹³			2006 ¹⁴		
	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time	Total	Full-Time	Part-Time
BY TYPE OF EMPLOYMENT									
European Union	1,126	1,122	4	641	636	5	416	416	0
North America	764	757	7	513	508	5	N/A	N/A	N/A
IBERDROLA RENOVABLES Group	1,890	1,879	11	1,154	1,144	10	416	416	0
BY TYPE OF CONTRACT									
European Union	1,126	43	1,083	641	37	604	416	28	388
North America	764	0	764	513	0	513	N/A	N/A	N/A
IBERDROLA RENOVABLES Group	1,890	43	1,847	1,154	37	1,117	416	28	388

¹³ Does not include 2007 data for Greece because such information was not available as of the close of the reporting period; therefore, the data differs from the information presented in the 2007 Sustainability Report.

¹⁴ Does not include data for the United Kingdom or Greece because it was prior to the inclusion of these companies within the IBERDROLA RENOVABLES Group; therefore, the data differs from the information presented in the 2007 Sustainability Report.



LA2. Total number and rate of employee turnover by age group, gender and region.

Turnover - breakdowns	EUROPEAN UNION			NORTH AMERICA			IBERDROLA RENOVABLES GROUP		
	2008	2007 ¹⁵	2006 ¹⁶	2008	2007	2006	2008	2007	2006
Total workforce	1,126	641	416	764	513	N/A	1,890	1,154	416
Turnover by gender									
Men	46	24	13	39	28	N/A	85	52	13
Women	11	4	4	26	9	N/A	37	13	4
Turnover by gender in %									
Men	5.21%	4.78%	3.87%	7.09%	7.76%	N/A	5.93%	6.03%	3.87%
Woman	4.53%	2.88%	5.00%	12.15%	5.92%	N/A	8.10%	4.47%	5.00%
By age Bracket									
Up to 30	29	9	6	15	9	N/A	44	18	6
Between 31 and 50	22	15	6	42	25	N/A	64	40	6
Over 50	6	4	5	8	3	N/A	14	7	5
By age brackets in %									
Up to 30	6.65%	3.23%	3.05%	9.20%	10.34%	N/A	7.35%	4.92%	3.05%
Between 31 and 50	3.59%	4.64%	3.17%	8.84%	7.25%	N/A	5.88%	5.99%	3.17%
Over 50 ¹⁷	7.79%	10.26%	16.67%	6.35%	3.70%	N/A	6.90%	5.83%	16.67%

¹⁵ Does not include 2007 data for Greece because such information was not available as of the close of the reporting period; therefore, the data differs from the information presented in the 2007 Sustainability Report.

¹⁶ Does not include data for the United Kingdom or Greece because it was prior to the inclusion of these companies within the IBERDROLA RENOVABLES Group; therefore, the data differs from the information presented in the 2007 Sustainability Report.

¹⁷ Does not include data for Poland or France, to which this indicator does not apply due to the non-existence of persons within this age bracket on the workforce.

LA3. Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.

For employees of companies belonging to the IBERDROLA RENOVABLES Group there is, generally speaking, no difference between benefits provided to part-time employees and benefits provided to full-time employees.

Aspect: Labor/management relations

LA4. Percentage of employees covered by collective bargaining agreements.

IBERDROLA RENOVABLES falls within the scope of the IBERDROLA Group's 4th Collective Bargaining Agreement, which also covers four other companies in Spain. It was signed by the company and the trade unions in November 2007 and is effective through 2010. It covers 91.09% of employees.

In the United Kingdom, following the spin-off of SCOTTISH-POWER RENEWABLES from SCOTTISHPOWER, only a small percentage of employees is covered by a collective bargaining agreement.

In Greece, the entire workforce is covered by a Collective Bargaining Agreement.

In France, the workforce has adhered to an Industry Collective Bargaining Agreement.

This indicator does not apply to the United States and Poland, where there are no collective bargaining agreements.

Percentage of Employees covered by a Collective Bargaining Agreement	2008 ¹⁸	2007 ¹⁹	2006 ²⁰
IBERDROLA RENOVABLES Group ²¹	48.41%	46.62%	83.65%

Generally, collective bargaining agreements apply to all employees working under an employment relationship with and for the account of the respective companies, regardless of the type of contract, the professional group into which they are classified, their occupation or job. However, matters relating to the corporate organization itself, the laws of each country or even usage and custom in each country result in certain groups being expressly excluded from the scope of collective bargaining agreements: for instance, in Spain, managers are not covered by the agreement.

LA5. Minimum notice period(s) regarding organizational changes, including whether it is specified in collective bargaining agreements.

There is currently no formally established minimum period

for giving formal notice of organizational changes at the companies of the Group. However, it is customary to communicate significant events to the affected groups sufficiently in advance so as to allow them to act with proper assurances and thus comply, if appropriate, with statutory periods.

Aspect: Occupational health and safety

LA6. Percentage of the total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.

Percentage of workers represented in health and safety committees	2008 ²²	2007 ²³	2006 ²⁴
IBERDROLA RENOVABLES Group ²⁵	86.13%	91.51%	96.39%

IBERDROLA RENOVABLES is certified under OHSAS 18001:2007, a more exacting management model at the international level, which amply exceeds the standards established by generally applicable legislation. The scope of this system includes all members of the workforce and all work centers in Spain. The Company has a Local Safety and Health Committee, represented by the most representative Labor Union Sections (Secciones Sindicales) and by company representatives from all divisions. Meetings are held on a quarterly basis. Its operation is governed by Annex VII of the 4th Collective Bargaining Agreement. Matters beyond its purview may be referred to IBERDROLA's Central Safety and Health Committee.

¹⁸ This indicator does not include data for Poland, where it does not apply as they did not have collective bargaining agreements in 2008.

¹⁹ This indicator does not include data for Poland, where it does not apply as they did not have collective bargaining agreements in 2007. Does not include 2007 data for Greece or France because such information was not available as of the close of the reporting period.

²⁰ This indicator does not include data for Poland, where it does not apply as they did not have collective bargaining agreements in 2006. In addition, companies located in the United Kingdom and Greece are not taken into account in 2006 because they were not included as of such date in the IBERDROLA RENOVABLES Group. Data for France was not included for 2006 because this information was not available as of the close of the reporting period.

²¹ The percentage of employees covered by a collective bargaining agreement of the IBERDROLA RENOVABLES Group differs from the information presented in IBERDROLA's 2008 Sustainability Report due to the inclusion of information that was not available as of the close of the reporting period.

²² This indicator does not include data for Poland, where it does not apply as they did not have such committees in 2008.

²³ Does not include data for the United Kingdom, Greece, Poland or France, where this indicator does not apply because there were no such committees in 2007.

²⁴ Does not include data for Poland or France, where this indicator does not apply because there were no such committees in 2006. Also does not include Greece

²⁵ The percentage of employees represented on the IBERDROLA RENOVABLES Group's health and safety committees differs from that presented in IBERDROLA's 2008 Sustainability Report due to the inclusion of information that was not available as of the close of the reporting period.

IBERDROLA RENOVABLES and SCOTTISHPOWER RENEWABLES have obtained the OHSAS 18001 Certification.

In the United Kingdom, SCOTTISHPOWER RENEWABLES obtained OHSAS 18001 certification for all its work centers in March 2009. Formal meetings are also held regularly at which employees and company representatives participate to deal with Safety and Health matters.

In the United States, the Klamath cogeneration plant has received OSHA SHARP recognition. SHARP is a five-year state program designed as a process to improve safety at companies. In February 2008, the Klamath plant was recognized as one of the 126 companies in Oregon that comply with program standards and requirements.

LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.

Accident rate	2008	2007	2006
Number of accidents			
European Union ²⁶	7	9	11
North America	6	2	N/A
IBERDROLA RENOVABLES Group	13	11	11

Accident rate	2008			2007 ²⁷			2006 ²⁸		
Type of accident	Fatal	With lost time	Without lost time	Fatal	With lost time	Without lost time	Fatal	With lost time	Without lost time
European Union	0	4	3	0	4	5	0	4	7
North America	1	1	4	0	0	2	N/A	N/A	N/A
IBERDROLA RENOVABLES Group	1	5	7	0	4	7	0	4	7

Accident rate and absenteeism ²⁹	EUROPEAN UNION			NORTH AMERICA			IBERDROLA RENOVABLES GROUP ³⁰		
No. of deaths	2008 ³¹	2007 ³²	2006 ³³	2008	2007	2006	2008	2007	2006
Company	0	0	0	0	0	N/A	0	0	0
Contracts	0	0	0	1	1	N/A	1	1	0
No. of days lost	31	28	28	5	0	N/A	36	28	28
Injury ratio (IR)	0.47	1.98	3.89	0.15	0.00	N/A	0.27	0.44	1.41
Occupational disease ratio (ODR)	0.00	0.00	0.00	0.00	0.00	N/A	0.00	0.00	0.00
Lost days ratio (LDR)	3.61	6.15	9.90	0.38	0.00	N/A	1.67	3.09	9.90

Absenteeism³⁴									
No. of sick leaves during the year	226	26	N/D	20	17	N/A	246	43	N/Av
Days lost	1,755	114	N/D	1,554	457.34	N/A	3,309	571.34	N/Av
Person equivalents	4.87	0.31	0.00	4.31	1.25	N/A	9.19	1.57	N/Av
Absenteeism rate (AR)	1,613.45	197.03	N/Av	1,849.72	811.37	N/A	1,716.42	500.18	N/Av

²⁶ This indicator does not include 2006 data for Greece because it was prior to its inclusion within the IBERDROLA RENOVABLES Group.

²⁷ This indicator does not include data for Greece or the United Kingdom because such information was not available as of the close of the reporting period.

²⁸ This indicator does not include Greece or the United Kingdom because it was prior to their inclusions within the IBERDROLA RENOVABLES Group.

²⁹ Does not include data for the United Kingdom or Greece because it was prior to their inclusions within the IBERDROLA RENOVABLES Group. Also does not include 2007 data for Greece because such information was not available as of the close of the reporting period.

³⁰ Includes data for the number of deaths in 2008 in Greece and France, in addition to data regarding the number of accidents in Poland, which was not reported in the 2008 Sustainability Report as such information was not available as of the close of the reporting period.

³¹ The 2008 data does not include data for the number of days lost and the lost days ratio (LDR) for Greece or Poland, or the data for injury rate (IR) or the occupational disease ratio (ODR) for Poland, because such information was not available as of the close of the reporting period.

³² The 2007 data does not include data on the number of deaths, number of days lost, injury ratio (IR), occupational disease ratio (ODR) or lost days ratio (LDR) for the United Kingdom because such information was not available as of the close of the reporting period. Data for the calculation of the occupational disease ratio (ODR) and lost days ratio (LDR) are not included for 2007 for Poland and France for the same reason.

³³ Data is not included for the calculation of the occupational disease ratio (ODR) or the lost days ratio (LDR) for 2007 for Poland and France because such information was not available as of the close of the reporting period.

³⁴ Absenteeism data for Poland and France for 2006, 2007 and 2008, for Spain for 2006 and 2007, and for Greece for 2007 and 2008, and the absentee ratio (AR) for the United Kingdom for 2007, are not included because such information was not available as of the close of the reporting period.

LA8. Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families or community members regarding serious diseases.

Occupational Risk Prevention is extensively regulated in the IBERDROLA Group's 4th Collective Bargaining Agreement, to which IBERDROLA RENOVABLES has adhered. Specific provisions govern health assistance, special treatment and specialties in connection with the prevention of serious diseases. There are currently no particularly significant special cases.

As regards occupational health in Spain, the in-house medical services of the companies that have adhered to IBERDROLA's 4th Collective Bargaining Agreement are responsible, under a services agreement, for monitoring the health of employees through regular medical check-ups, health and vaccination campaigns to prevent specific diseases or the provision of the required care if employees have a health problem during their work. IBERDROLA RENOVABLES also performs specific tests on workers to prevent atherosclerosis, prostate cancer, diabetes, hypertension and smoking, through the occupational health area. The incidence of HIV/AIDS is very low and is treated individually and in the strictest confidence.

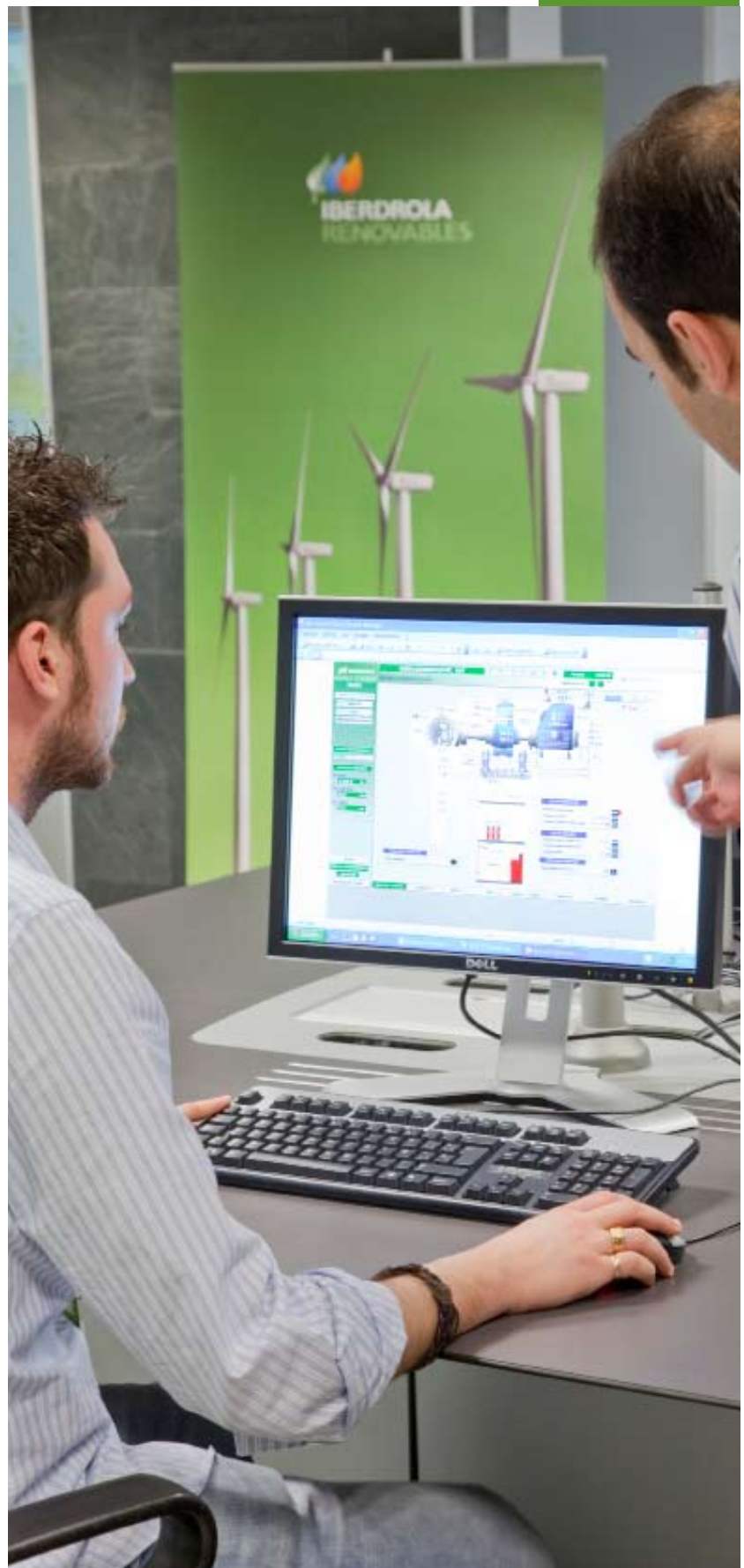
Public health services are supplemented by the medical insurance that the companies that have adhered to IBERDROLA's 4th Collective Bargaining Agreement offer their employees as part of their benefits. In addition, the principal work centers in Spain and in the United Kingdom have medical services that treat employees during working hours.

Operation and Maintenance employees carry out activities involving electrical risk and the risk of falling from various heights. The measures adopted are basically direct and effective management of occupational risk prevention through the annual planning of preventive activities, including all actions addressed at reducing such risks as much as possible, training courses (both face-to-face and on-line), awareness-raising talks, collective protection equipment and Individual Protection Equipment.

In Greece, ROKAS RENEWABLES carries out anti-smoking campaigns and offers private insurance coverage and medical assistance at the workplace.

In the United Kingdom, SCOTTISHPOWER RENEWABLES employees have access to SCOTTISHPOWER's Occupational Health services, which include health and welfare promotion campaigns. For example an employee information campaign was carried out and anti-smoking treatment was provided to employees of SCOTTISHPOWER RENEWABLES.

IBERDROLA RENOVABLES'
CORE Center.



IBERDROLA RENOVABLES has a Management, Investigation and Recording Procedure for occupational accidents, illnesses and incidents.

Whitelee wind farm
(United Kingdom).



In the United States, the Company sponsors a number of employee plans for the treatment of disorders and illnesses, including serious illnesses. Services covered range from hospitalization for the treatment of serious illnesses to routine check-ups (preventive medicine). They also include treatment for psychological and emotional disorders. When choosing their coverage, employees can determine the family members that are to be covered by the same services. The company also provides services through health counseling plans, as well as ophthalmological and dental services.

LA9. Health and safety topics covered in formal agreements with trade unions.

In Spain, the Occupational Risk Prevention Coordination Committees and the Local Safety and Health Committee are charged with coordinating and monitoring the implementation of preventive standards and procedures, working closely with the Joint Prevention Service. All employees are represented by such Safety and Health Committee; there is also a Central Committee at the level of the IBERDROLA Group. Both types of Committees are established in accordance with the Occupational Risk Prevention Law (*Ley de Prevención de Riesgos Laborales*). Such committees are set up on an equal representation basis, with the same number of representatives of the Company and of employees.

During 2008, the health and safety committees met on a quarterly basis and were the most important consultation, participation and control bodies of IBERDROLA RENOVABLES' Prevention Management System. They are the forum where formal agreements on the matter are reached with the trade unions.

IBERDROLA RENOVABLES has a "Management, Investigation and Recording Procedure for Occupational Accidents, Illnesses and Incidents" that ensures strict compliance with the procedures related thereto. Occupational illnesses, accidents and incidents are reported to the Prevention Service, the appropriate labor authority and the workers' representatives. Safety and Health Committee meetings monitor accident rates and review accidents and their causes. The accident reporting process is described in the procedures of the Occupational Risk Prevention Management System, which is regularly audited.

At the international level, particularly worth mentioning is the fact that the United Kingdom has formalized such safety and health agreements following the SCOTTISHPOWER policy, which is based on a preventive culture within the framework of OHSAS 18001 management, to which all facilities and businesses are certified since March 2009.

Aspect: Training and education

LA10. Average hours of training per year per employee by employee category.

Total hours of training by category	IBERDROLA RENOVABLES GROUP ³⁵		
	2008	2007	2006
Directors	2,342	1,125	1,077
Advanced and basic degree holders	23,090	14,528	7,893
Professionals	31,536	13,222	8,312

Average hours of training by employee	IBERDROLA RENOVABLES GROUP ³⁶		
	2008	2007	2006
Directors	7.1	6.4	26.3
Advanced and basic degree holders	29.8	25.2	42.7
Professionals	40.2	32.9	43.7

³⁵ The total hours of training by category of the IBERDROLA RENOVABLES Group differs from that presented in IBERDROLA's 2008 Sustainability Report due to the inclusion of data for the United Kingdom and France that were not available as of the close of the reporting period. Data for the United Kingdom was not available by category, for which reason it has been extrapolated in order to record such data in the total for the IBERDROLA RENOVABLES Group by a proportion established based on the total results by category. The actual total data on hours of training for the entire UK workforce was 4,981 hours. The 2006 data does not include data for the United Kingdom or Greece because it was prior to the inclusion of these companies within the IBERDROLA RENOVABLES Group. The 2007 data does not include data for Greece; therefore, the data differs from the information presented in the 2007 Sustainability Report.

³⁶ The average hours of training per employee of the IBERDROLA RENOVABLES Group differs from that presented in IBERDROLA's 2008 Sustainability Report due to the inclusion of data for the United Kingdom and France that was not available as of the close of the reporting period. Data for the United Kingdom was not available by category, for which reason it has been extrapolated in order to record such data in the total for the IBERDROLA RENOVABLES Group by a proportion established based on the total results by category. The actual data on average hours of training for the UK workforce was 40.50 hours of training per employee. The 2006 data does not include data for the United Kingdom and Greece because this was prior to the inclusion of these companies within the IBERDROLA RENOVABLES Group. The 2007 data does not include data for Greece and therefore differs from the data presented in the 2007 Sustainability Report.

LA11. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.

No. of participants	2008		2007		2006	
	Internal courses	Outside training	Internal courses	Outside training	Internal courses	Outside training
IBERDROLA RENOVABLES Group ³⁷	484	375	194	89	17	60

³⁷ The information on the number attendees at external training of the IBERDROLA RENOVABLES Group differs from that presented in IBERDROLA's 2008 Sustainability Report due to the inclusion of information for the United Kingdom, which was not available as of the close of the information reporting period.

In line with the basic pillars established in IBERDROLA RENOVABLES' Strategic Plan, the companies' training plans are designed to achieve the comprehensive development of persons by improving their skills, knowledge and abilities in order to bring them into line with the current and future demands of the organization and with their own individual professional development expectations.

Training has a particular strategic importance for the IBERDROLA RENOVABLES Group because it is one of the essential instruments to provide the company with qualified professionals, by giving them the skills required for the proper performance of their current duties and favoring their future professional development.

Training has a particular strategic importance for the IBERDROLA RENOVABLES Group because it is one of the essential instruments to provide the company with qualified professionals.

The content of training plans is linked to the development of various types of competencies:

- General competencies, aimed at improving the behavior and attitudes of all the Company's professionals, regardless of their professional duties.
- Technical competencies, specific to each business unit and each job position.

Training activities are developed and taught under various different formulas:

- Designed with company or third-party resources.
- Taught with the company's own resources or outsourced.
- Face-to-face, remote, mixed or on-line training.
- Group activities outside the classroom.

The type of training is selected according to the specific competencies sought to be improved or developed, the group to be trained (taking into account its professional level, physical location or degree of familiarity with new information/communications technology) or other aspects that may be considered relevant in making the training process more efficient.

In Spain, IBERDROLA RENOVABLES carries out professional development programs that include all employees, based on the various employee groups making up the workforce. Such programs are implemented with the company's own resources or outsourced, but are financed entirely by the Company and result from a review of needs and competencies conducted by each Division.

Maranchón wind farm.



LA12. Percentage of employees receiving regular performance and career development reviews.

Percentage of employees receiving performance reviews	2008	2007	2006
IBERDROLA RENEWABLES Group ³⁸	90.35%	54.77%	58.89%

At performance evaluation meetings, the employee and his/her immediate supervisor have an opportunity to meet personally to review the performance for the year, define and plan the areas that need to be improved, openly raise their concerns and prepare personal and professional goals for the following year.

Aspect: Diversity and equal opportunity

LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.

Composition of the Board of Directors ³⁹	2008	2007	2006
Governance bodies	15	15	N/A
By gender			
Men	14	14	N/A
Women	1	1	N/A
By age group			
Up to 30	0	0	N/A
Between 31 and 50	4	5	N/A
Over 50	11	10	N/A

For reasons of confidentiality, and in order to comply with the requirements established by personal data protection laws in effect in each country, the information systems of the companies making up the IBERDROLA RENEWABLES Group do not record their membership by ethnicity, religion, etc.

LA14. Ratio of basic salary of men to women by employee category.

The table below sets forth the relationship between the base salary of men and women for managers, advanced degree-holders and professionals.

Salary ratio of men to women	2008			2007			2006		
	Advanced degree	Basic degree	Professionals	Advanced degree	Basic degree	Professionals	Advanced degree	Basic degree	Professionals
IBERDROLA RENEWABLES Group	121.52%	116.58%	80.89%	128.63%	121.36%	81.81%	109.36%	100%	87.63%

³⁸ The percentage of employees who receive performance reviews by the IBERDROLA RENEWABLES Group differs from the percentage presented in IBERDROLA's 2008 Sustainability Report due to the inclusion of information that was not available as of the close of the reporting period.

³⁹ The composition of the Board of Directors as of March 2008 can be seen in indicator 4.1 of this report.



IBERDROLA RENEWABLES carries out professional development programs that include all employees, based on the various employee groups.



A CLEAR COMMITMENT TO HUMAN RIGHTS

Since its creation, IBERDROLA RENOVABLES has clearly defined the ethical principles that apply to the Company's activities, and thus to the conduct and activities of its employees and professionals. The Company's commitment to the defense of human rights is one of the mainstays upon which the organization is sustained and maintained.

1. MANAGEMENT APPROACH

Policies and Code of Professional Conduct.

IBERDROLA RENOVABLES' commitment to the defense of human rights is one of the foundations the organization has used to define the ethics applied in the company's activities and, accordingly, the conduct and actions of its professionals.

To establish these foundations, the Board of Directors of IBERDROLA RENOVABLES approved a Corporate Social Responsibility Policy that establishes the following principles, among others:

- To respect all human rights and, in particular, those the violation of which degrades workers, which entails opposition to child labor and to forced or compulsory labor.
- To develop a favorable employment relations framework based on equality of opportunity, non-discrimination and respect for diversity, promoting a safe and healthy environment and facilitating communication with the workforce.
- To develop responsible practices in the chain of value, establishing transparent, objective and impartial processes with suppliers and providing users with all relevant information regarding the products and services sold.

These principles must be observed by all professionals of the Group, regardless of the place where they work.

As mentioned above, IBERDROLA RENOVABLES has a Code of Professional Conduct that governs the conduct of all Group professionals and, specifically, conduct relating to the defense of human rights, and establishes oversight mechanisms and disciplinary measures. This ensures that the principles of non-discrimination and equal opportunity, freedom of association and collective bargaining, protection of ethnic minorities, and opposition to child labor and forced or compulsory labor are observed and complied with in all Company operations.

Specifically, the Company assumes the commitment to human and labor rights acknowledged in domestic and international law and to the principles of the Global Compact, the United Nation's Norms on the Responsibilities of Transnational Corporations, the Guidelines for Multinational Enterprises of the Organization for Economic Cooperation and Development (OECD) and the International Labor Organization's Tripartite Declaration of Principles Concerning Multinational Enterprises and their Social Policy.

The Board of Directors of IBERDROLA RENOVABLES approved a Recruitment and Selection Policy, which establishes the following principles, among others:



- To respect equality of opportunity and promote non-discrimination by reason of race, gender, nationality, religion, age or any other personal, physical or social condition. This assures the ability to hire, motivate and retain the best talent and maintain the ethical and legal principles expected of a trusted Company that are aligned with the values of our customers, shareholders, employees and the community.

And the Contracting and Relationship with Suppliers Policy, under which the Company assumes the commitment to:

- Promote strict compliance by suppliers with contractual conditions and current regulations and legislation, with particular emphasis on respect for the principles established in the United Nations Global Compact.

These policies, along with others also approved by the Board of Directors of IBERDROLA RENOVABLES, may be viewed on the Company's website: www.iberdrolarenovables.es.

2. HUMAN RIGHTS PERFORMANCE INDICATORS

Aspect: Investment and procurement practices

HR1. Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.

The investments of the IBERDROLA RENOVABLES Group are guided by the general principles relating to the company's values and the Corporate Social Responsibility Policy and, more specifically, the principle of Respect for Human Rights, particularly employees' rights and opposition to child labor and forced labor. IBERDROLA RENOVABLES is confident that such investments are made in full compliance with the law and in accordance with strict standards of respect for human rights, and has no evidence, whether internal or external, of any actions contrary to such rights.

HR2. Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.

IBERDROLA RENOVABLES extends the principles of protection of human rights to its supply chain. In its supplier selection processes, the Company follows standards of objectivity, impartiality and equal opportunity and avoids any conflict of interest in the selection of suppliers. It promotes publicity and competition in selection processes, within management efficiency standards.

IBERDROLA RENOVABLES evaluates suppliers through the IBERDROLA Group. A specific provision establishing the corporate social responsibility of suppliers was included in the IBERDROLA Group's contracting conditions in 2008. Such conditions apply to the orders made from IBERDROLA, and it may therefore be stated that respect for human rights, opposition to the use of child labor, the elimination of all kinds of discrimination and opposition to forced labor, among other things, are associated with every contract.

IBERDROLA RENOVABLES uses the RePro classification system to prequalify its suppliers. This database has updated information on companies that is used by the leading entities within the energy industry. Access to RePro is open at all times to any supplier. The Company selects its suppliers on the basis of the information they have entered in the registration system.

Subsequently, as part of the Procurement policy, suppliers are evaluated on their technical and production capacity and their performance in the following areas:

- Quality.
- Safety and risk prevention.
- The environment.
- Social Responsibility.
- Economic and financial condition.

In 2008, there was no need among the entire IBERDROLA RENOVABLES Group to revise or cancel any contract with suppliers or subcontractors for breaches relating to human rights. Furthermore, the Company did not have to take any disciplinary action against any supplier for such reasons in 2008.

HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.

All employees of the Group have been informed of the Code of Professional Conduct and the Corporate Social Responsibility Policy, as well as of other Policies approved by the Board of Directors that contain specific clauses on respect for human rights.

The Board of Directors of IBERDROLA RENOVABLES has approved a Corporate Social Responsibility Policy.

The business culture in the countries in which the IBERDROLA RENOVABLES Group operates is entirely respectful of human rights. This has made specific training on this subject unnecessary to date.

In addition, in the United States, 394 employees have received human rights training. In Greece, two employees received a total of 31 hours of human rights training.

Aspect: Non-discrimination

HR4. Total number of incidents of discrimination and actions taken.

The IBERDROLA RENOVABLES Group has no evidence of any reported incident of discrimination.

Aspect: Freedom of association and collective bargaining

HR5. Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.

The Company has no knowledge of activities carried out by the IBERDROLA RENOVABLES Group that could be considered to jeopardize the right of freedom of association or the right to adhere to collective bargaining agreements.

Aspect: Child labor

HR6. Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.

The Company has no knowledge of any activities carried out within the IBERDROLA RENOVABLES Group that entail a potential risk of child exploitation, nor is there any evidence of any such incident having occurred.

The IBERDROLA RENOVABLES Group, through the IBERDROLA Group's Code of Professional Conduct, expresses its total opposition to child labor.

The recruitment and selection processes followed by the companies of the IBERDROLA RENOVABLES Group ensure that no minors are hired as part of the workforce. In addition, the IBERDROLA Group's general contracting conditions include a clause that specifically provides that any form of child labor will be avoided, observing the minimum hiring ages established by applicable law

and establishing appropriate and reliable mechanisms to verify the age of those hired.

Aspect: Forced and compulsory labor

HR7. Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.

The Company has no knowledge of any activities carried out by the IBERDROLA RENOVABLES Group that entail a risk of giving rise to episodes of forced or compulsory labor. The company does not use forced or compulsory labor in its operations.

The IBERDROLA RENOVABLES Group, through the IBERDROLA Group's Code of Professional Conduct, expresses its total opposition to forced or compulsory labor.

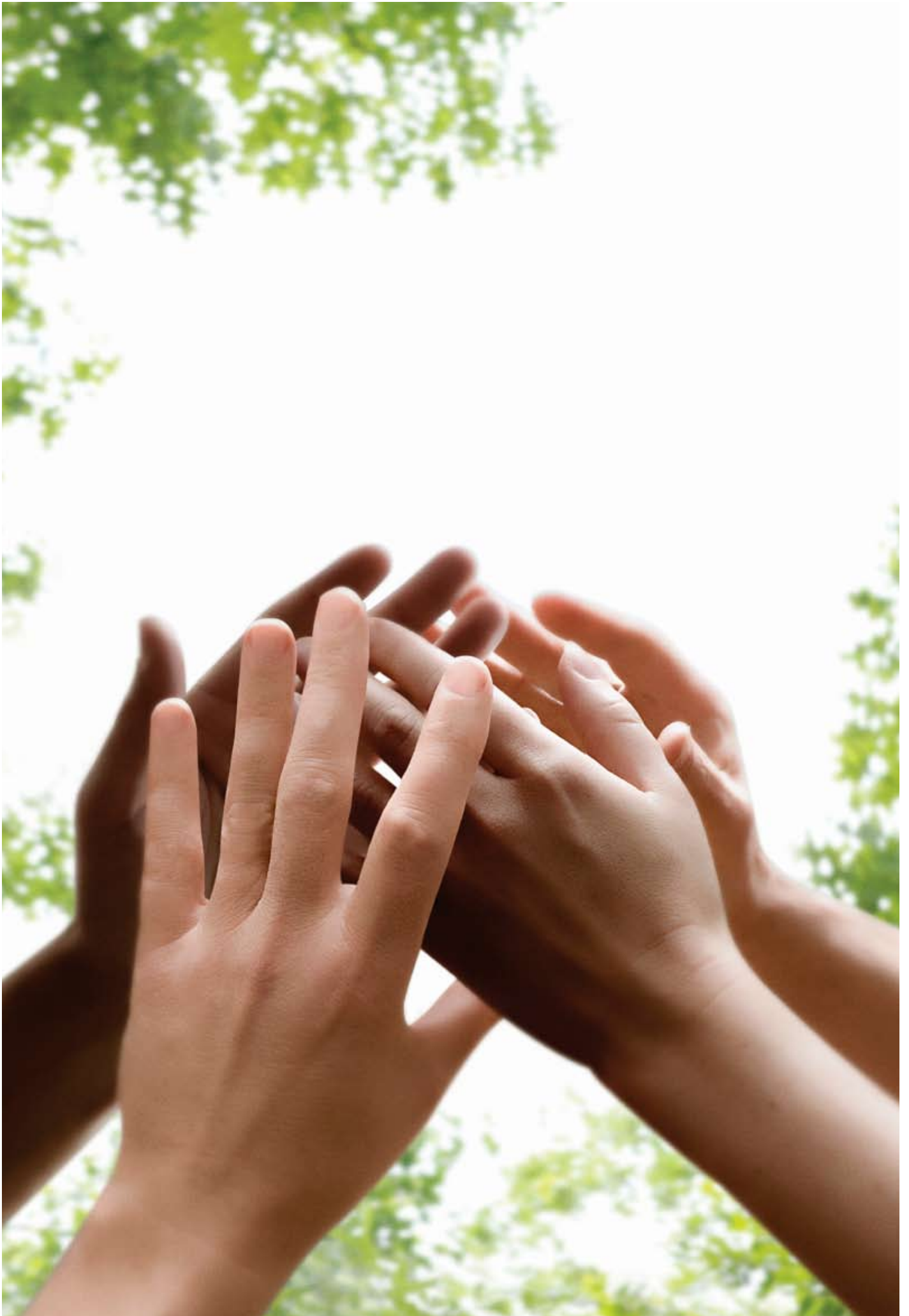
In addition, its general contracting conditions include a clause to eliminate any form or kind of forced or compulsory labor, understood as any work or service demanded of an individual under threat of any punishment and that is not obtained freely and voluntarily from the individual.

Aspect: Security practices

HR8. Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.

Both in Spain and at the international level, security personnel, including both the Company's and subcontracted personnel, have not received any specific human rights training, as it has not been deemed necessary owing to the respectful culture of the business environment of the countries in which the Group operates.

IBERDROLA has entered into an agreement with the Spanish Red Cross for the preparation and monitoring of a human rights course for IBERDROLA personnel engaged in security activities. For the time being, IBERDROLA RENOVABLES employees have not attended such courses.





OUR STRATEGY: TO CREATE VALUE FOR SOCIETY

The development of renewable energy fosters the progress of society and contributes to change towards the implementation of a new productive sustainable framework. Based on this principle, IBERDROLA RENOVABLES assumes that a commitment to the local communities in which it operates is an essential part of its corporate strategy. Part of the Company's success comes from the creation of value for people, societies and the environment.

1. MANAGEMENT APPROACH

Involvement in the community and relationship with regulatory agencies.

The IBERDROLA RENEWABLES Group is strongly and continuously involved with communities. This commitment is inherent in its activities, since the development of renewable energy fosters the progress of society, contributing to change towards a new sustainable production framework. In addition, commitment to the local communities in which the IBERDROLA Group operates is an essential component of its corporate strategy. The Group is convinced that the key to its success lies in creating value for people and the environment.

In order to focus on high-priority areas of action and following IBERDROLA Group guidelines, the Company has developed the following strategic community support programs:

- Community socioeconomic development.
- Art and Culture.
- Education and Training.
- Activities with underprivileged persons.
- The environment.

IBERDROLA RENEWABLES believes that the main benefits it receives from its commitment to society are:

- Building, maintaining and strengthening relationships of trust with communities by supporting social organizations and local governments.
- Better brand recognition and improved reputation as a result of its commitment to the community.
- Greater employee satisfaction that comes from participating in a Company that is valued and recognized socially, and through its volunteer and community assistance programs.

The local strategy followed by the IBERDROLA RENEWABLES Group is reflected in a strategic approach in keeping with the business. Thus, following an

external and internal consultation process, activities and programs now focus on education and access to employment of persons from local communities near its generation facilities.

The activities carried out as part of such programs of activity in 2008 and the capital invested therein are described in greater detail in Annex 1 to this report.

Other stakeholders that are particularly important for the IBERDROLA RENEWABLES Group are regulatory entities and government administrations. The Group fosters relationships of mutual and transparent cooperation with various institutions in the field of renewable energy, highlighting its role as a driver of sustainable growth. Regular and reciprocal contact with various players is beneficial for all parties involved inasmuch as information, knowledge and points of view are shared.

The Company establishes three levels of communication:

- Operational: professionals involved in the promotion, construction and operation of wind farms must be part of or be in permanent contact with those entities, ministries, agencies, governments and municipalities that are significant to ensure compliance with agreed periods, as well as with all the requirements established in the project.
- Business Development: Business Development managers meet regularly with the Senior Management of the relevant agencies to discuss issues regarding policies, site selection and, in general, to ensure a relationship of mutual trust and a fluid exchange of information.
- Strategic: meetings with Senior Management to deal with long-term strategic matters and policies of interest for the energy industry.

The exchange of information with such entities, which is extremely important from the regulatory point of view, takes place systematically, individually at the company level, or through the Spanish industry associations of which the company is a member: *Asociación Empresarial Eólica Española (AEE)*, *Asociación de Productores de Energía Renovables Española (APPA)*, *Asociación de la Industria Fotovoltaica Española (ASIF)*, *Club de la Energía*, etc. For further information on the associations of which IBERDROLA RENEWABLES is a member, see section 4.13.

IBERDROLA RENEWABLES' policy in connection with such industry associations is that of utmost cooperation, with a view to obtaining benefits for the renewable energy industry. As an industry leader, the Company is involved in these associations in a manner that is committed to the efficient operation of its business.

The IBERDROLA RENEWABLES Group is strongly and continuously involved with communities. This commitment is inherent in its activities.

Relationships with such institutions are primarily of two kinds:

- Relationships geared to the enactment of efficient regulatory provisions allowing for the development of a competitive market.
- Provision of all information required by regulatory entities, both in the normal conduct of its business and that required on specific occasions.

Management of risks associated with fraud and corruption.

The Board of Directors of IBERDROLA RENOVABLES, aware of the risk that this kind of practice represents for the Company, approved a Fraud Prevention Policy in the first quarter of 2009, taking up the commitment to work against fraud in all its forms, including extortion and bribery and carrying out specific activities in this area.

The Code of Professional Conduct governs the conduct of professionals in the course of their work, and the Corporate Social Responsibility Policy explicitly states the commitment to:

- Comply with applicable law in the countries in it operates, with the supplemental adoption of international standards and guidelines in those countries in which the legal framework is inadequate.
- Favor transparency and free market rules, rejecting bribery, corrupt practices or other types of contributions aimed at obtaining corporate advantages, and respecting the rules of free competition.

The IBERDROLA Group's Code of Professional Conduct is available on the corporate website:

www.iberdrolarenovables.es.

2. SOCIETY PERFORMANCE INDICATORS

Aspect: Community

SO1. Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting.

In performing its activities, the IBERDROLA RENOVABLES Group is conscious of the importance of taking into account the social environment and the expectations of the communities near production facilities. Accordingly, Environmental Impact Assessments include, if deemed appropriate, an evaluation of the socioeconomic impact of development. The scope of such assessment generally includes the capital costs of the project and the potential for jobs and local business during the construction, operation and dismantling stages.

Furthermore, the impacts on value for recreational, tourism and land use purposes are taken into account in the assessment of the various stages. Impacts on the local community also include environmental parameters such as noise and vibrations, traffic and transport, air quality, cultural heritage and landscape.

Another material aspect is ongoing, transparent and productive communication with stakeholders in the communities where the IBERDROLA RENOVABLES Group does business. To that end, it has developed mechanisms for dialogue and communication with the social surroundings that involve: opening channels and establishing procedures to transmit the Company's plans, listening to the positions and arguments of community members, and responding to their complaints and problems.

IBERDROLA RENOVABLES and its subsidiaries also demonstrate their social commitment through the development of community support programs, in order to help improve the socioeconomic environment in the regions in which they operate. Annex 1 provides a summary of such contributions.

Social impact of activities on the community

Due to the nature of the Company's activities, the most significant impacts are environmental impacts, for which reason the Company works with local communities, particularly on the protection of biodiversity and the recovery of spaces. The greatest impacts relate to the noise emitted by wind turbines and the potential damage to birds and plants. In compliance with current legislation, the required environmental impact assessments are performed both during the project stage of new facilities and during the operational stage, where necessary. Studies to monitor avian fauna are customarily performed following completion of the facilities, as in the case of the Fitou wind farm in France.

As regards social impacts, a number of measures are taken, such as keeping a minimum distance between the wind farm and inhabited areas to avoid noise problems, and bridleing the wind turbines at night, if necessary, to comply with applicable legal provisions regarding permitted noise levels. There is also communication with local communities prior to and during the construction of new projects to respond to questions, complaints or suggestions from the various stakeholders.

Particularly worth noting is the Environmental Education Program that the company has been carrying out in recent years through the energy classrooms that were visited by over 55,000 people and which are intended to disseminate the principal environmental features and advantages of the different sources of renewable energy.

The Environmental Education Program that the company has been running in recent years, has been visited by over 55,000 people.

In the United Kingdom, pursuant to applicable legislation, environmental impact assessments are performed during the development stage of new facilities, and also during the operational stage, if necessary.

During 2008, SCOTTISHPOWER RENEWABLES conducted 35 environmental impact studies and assessments, along with others of a similar nature.

The dialogue and communication channels established by SCOTTISHPOWER RENEWABLES with nearby communities include "The Community Liaison Meetings" during the promotion and construction stages, as well as specific contacts during the development stages. Queries may be made through various channels, such as public exhibitions, brochures, meetings with local governments or other local groups, e-mails or visits. Community Trust Funds are also set up for the operational development period and local environmental, charitable or educational projects are established.

Supplementing the foregoing, SCOTTISHPOWER RENEWABLES has a Public Complaint Procedure in place to record formal complaints received, following which the required corrective measures are implemented in each specific case.

The process is normally audited by Planning Authority representatives or by third parties, who report on the activities carried out to the appropriate authorities. Construction work can only begin once the "prior-to-commencement" conditions have been satisfied. When application is made for a Habitat Management Plan, the plan will require an agreement with the relevant stakeholders. SCOTTISHPOWER RENEWABLES reports regularly on the implementation and effectiveness of the plan.

As mentioned in the environmental section, "Lessons Learned" meetings are held regularly within the Development and Construction groups to discuss the positive and negative aspects encountered during the implementation of the projects. The conclusions of these meetings are communicated to the personnel involved, in order for the identified corrective measures to be implemented in future projects.

In the United States, given the large number of owners involved in a project, a project manager is designated to monitor the project through commercial operations to liaise with owners and local governments. This method has been well received by the owners, who thus know who to contact about their problems. Persons have also been designated to attend and participate in working groups in each state.

The "KidWind" program is expected to be launched in 2009 to provide information about wind energy to schoolchildren. The program consists of holding talks at schools and programs with science teachers. Ten schools in Ohio, Indiana and Illinois will be added in 2009.

In Greece, ROKAS RENEWABLES performs the environmental impact assessment required under applicable law, during both the development stage of new projects and the operational stage, as necessary. The authorities approve the results thereof and grant the authorization for implementation of the projects.

In France, in addition to the various Environmental Impact Assessments required by the government, communities participate in impact assessment through compensatory actions such as restoring the public parks of the town, building roads, etc.

No facility owned by the IBERDROLA RENEWABLES Group was decommissioned or closed in 2008. In any case, in the event of a possible closure, the various policies of the group that ensure compliance with the law and the provisions of the respective Environmental Impact Assessments regarding the proper restoration of the area would be applied.

Dialogue and communication with the community.

The company has established the following channels for dialogue and communication with society and, in particular, with the local communities where its facilities are located:

The Environmental Management System implemented at facilities under operation includes communication procedures which establish a system for third parties to transmit their questions, complaints, requests for information or other requests. In addition, the Company's offices throughout the world are a communication channel that is always available to the local community.

IBERDROLA RENEWABLES has an online channel through its website www.iberdrolarenovables.es and, specifically, through its e-mail address, to which anyone can send questions and requests for information.

Informational meetings with groups representing local communities and with local authorities are organized regularly in order to learn their opinion and minimize impacts.

In the United Kingdom, consultation processes in connection with new projects are determined according to the periods established by law. SCOTTISHPOWER RENEWABLES tries to call meetings and, where possible, to extend the period for consultation beyond the minimum period required by law.

In the United States, informational meetings are held regularly in order to favor consultation processes for the various projects. Questions, complaints, comments and suggestions from affected social groups are addressed at such meetings. For instance, in 2008, a crop dusters group voiced their concern regarding wind turbines, believing that they are no different from other structures over which they fly their planes, such as high-voltage lines, which hamper their work and increase the risk of accidents. One of the persons responsible for such consultation at IBERDROLA RENEWABLES is working



The Company continually reviews mechanisms to support renewable energy in the markets in which it has invested.

on a survey to focus responses in order to achieve the implementation of measures addressed at improving flight safety.

In France, IBERDROLA RENOVABLES holds meetings with community members in order to inform them about a project before construction begins. In addition, the communication channel with the communities in which wind farms are located is the municipality; if there are any complaints, citizens transmit them to the municipal corporation and to IBERDROLA RENOVABLES. If the problem is not resolved, the complaint will be referred to the state level.

Aspect: Corruption

S02. Percentage and total number of business units analyzed for risks related to corruption.

The risk system established at the level of the IBERDROLA RENOVABLES Group considers bribery and corruption as potential business risks, and regular reviews are conducted. Specifically, in the United States, corruption is taken into account in assessing the risk of fraud, since it is a part thereof. Possible fraud scenarios are considered, probabilities and possible losses are evaluated and monitored, and ways of mitigating fraud are suggested.

No corruption-related incidents occurred at the IBERDROLA RENOVABLES Group in 2008.

S03. Percentage of employees trained in the organization's anti-corruption policies and procedures.

In defense of ethically responsible corporate actions, the IBERDROLA RENOVABLES Group opposes practices related to corruption in any of its forms. In addition, as mentioned above, IBERDROLA RENOVABLES' risk management system takes bribery and corruption into account as potential business risks.

Employees of the IBERDROLA RENOVABLES Group must comply with the Code of Professional Conduct and approved corporate policies, which provide that such practices should not be used to obtain personal benefits or advantageous treatment for the Company. A presentation on fraud was made in the United States and the risk of fraud was assessed. To date, 201 employees have received fraud prevention training.

S04. Actions taken in response to incidents of corruption.

As already described under management approach, the company approved a Fraud Prevention Policy in 2009, accepting the commitment to work against fraud in all its forms, including extortion and bribery, and taking specific actions in this area.

In addition, IBERDROLA RENOVABLES establishes the possibility of reporting any breach of the Code of Professional Conduct as a fraud-prevention mechanism. Such mechanism is available to any employee of the IBERDROLA RENOVABLES Group. There were no incidents of corruption in 2008.

In the United Kingdom, procedures for conformity with corporate behavior are spelled out in a document entitled "Compliance, Behaviour and the Law," known as the Red Book. An internal Reporting Policy was also implemented at SCOTTISHPOWER in 2008. Such policy requires that all employees report actual or alleged fraudulent activities immediately. To ensure compliance therewith, SCOTTISHPOWER RENEWABLES has prepared a document entitled "Control of Gifts and Hospitality" that governs aspects relating to gifts offered and similar matters. Furthermore, the SCOTTISHPOWER RENEWABLES' employment agreement includes a reference to such policy.

Aspect: Public policy

S05. Public policy positions and participation in public policy development and lobbying.

The Company continually reviews mechanisms to support renewable energy in the markets in which it has invested or plans to do so. It has established an ongoing dialogue with all stakeholders in the industry in order to fully understand regulations in such markets and to transmit IBERDROLA RENOVABLES' position to the players involved. It participates in such processes through associations in Spain, Britain, the United States and other countries in which the Company operates. IBERDROLA RENOVABLES also has regular contacts with agencies at the European level. The list of

associations with which the IBERDROLA RENEWABLES Group cooperates may be found in section 4.13 of this report.

The Company also has a presence in forums and organizations that engage in discussions and research regarding regulatory matters, such as the Global Wind Energy Council (GWEC), the Regulators' School in Florence, or the Center for Energy and Environmental Policy Research (MIT). At the European level, particularly worthy of note is the approval, in December 2008, of the European directive on the promotion of energy from renewable sources, the content of which the Company finds highly favorable for the development of renewable energies.

In the United Kingdom, SCOTTISHPOWER RENEWABLES has established relationships with decision-makers in all aspects relating to its business. It is in direct contact with politicians and governments in the United Kingdom as well as, indirectly, with associations such as the SCOTTISH RENEWABLES Forum and The British Wind Energy Associations. It has also established relationships through the UKBCSE forums and the Government's Renewables Advisory Board. The most often recurring subjects are the necessary efficiency and reforms, network access policy, incentive mechanisms and the need for greater employment opportunities and manufacturing of renewable infrastructure.

In the United States, IBERDROLA RENEWABLES lobbies governmental authorities, particularly the US Congress and certain agencies. IBERDROLA RENEWABLES communicates directly with governmental authorities, providing information and putting forward its points of view. Such information is public and may be viewed at <http://soprweb.senate.gov>. IBERDROLA RENEWABLES also works through supporting coalitions, including the American Wind Energy Association, Solar Energy Industries Association and similar regional groups. Such organizations focus on the promotion of renewable energy. Their work is directed to the regulators responsible for policies such as tax policies, policies promoting sustainable development, renewable energy standards, the development of transmission, etc.

In Greece, ROKAS RENEWABLES has established relationships with public authorities through various organizations and public associations.

As in the aforementioned cases, in Poland, IBERDROLA RENEWABLES has established relationships with the various governmental organizations through meetings to explain the Company's position and provide the

required information. It also lobbies through the organizations of the Polish Wind Energy Association (PSEW).

In France, the company has an influence on the government through its participation in the *Syndicat des Energies Renouvelables* (SER). It also exercises its influence through agreements and meetings with various governmental entities to explain its position in the industry.

SO6. Total value of financial and in-kind contributions to political parties, politicians and related institutions by countries.

Contributions within the framework of lobbying activities have only been made in the United States and in accordance with applicable law, and can be viewed at <http://soprweb.senate.gov>.

No other company of the IBERDROLA RENEWABLES Group made any contribution to the financing of political parties or dependent organizations during fiscal year 2008.

Aspect: Anti-competitive behavior

SO7. Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.

There is no legal proceeding against the IBERDROLA RENEWABLES Group for reasons relating to monopolistic or anticompetitive practices.

Aspect: Compliance

SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.

In the United States, the organization was fined twice in 2008: one was at the Katy gas storage facility, in the amount of 2,766 euros for delay in providing documentation. The second was at the Portland headquarters, in the amount of 29 euros, for breach of office safety codes.



RENEWABLE ENERGY FOR SUSTAINABLE CONSUMPTION

Although IBERDROLA RENOVABLES does not engage in the retail sale of energy to the end user (except for the United States, where it does so through its subsidiary Community Energy), the Company works to understand the expectations of all of its customers and stakeholders, fostering research and development into renewable and efficient technologies and promoting the continuous improvement of the Company's products and management processes.

1. MANAGEMENT APPROACH

The company's primary source of income is the sale of energy generated at its renewable energy facilities.

Both the price of energy and the identity of the purchasers of electricity generated by IBERDROLA RENOVABLES depend on the regulatory framework of the various countries in which the Company operates.

The option of selling energy, whether at fixed rates or at market rates, is a decision that must be made by the producer and must be maintained for a period of at least one year. IBERDROLA RENOVABLES, in line with its strategy of optimizing income, makes this choice based on expected future prices and the diversification of risk.

Retail sales of energy to IBERDROLA RENOVABLES' end users is concentrated in the United States, where it has customers in 15 states through its Community Energy subsidiary.

This company promotes the acquisition of renewable energy among end users, encouraging them to be part of the effort to fight global warming, and explaining that wind power is a simple, effective and well-known way to avoid the CO₂ emissions associated with electricity consumption.

The energy sold by Community Energy is certified by external verification. Community Energy's Green-e Certified Renewable Energy Credits (RECs) support projects to develop and construct wind farms. Green-e RECs link the customer with technology innovation in development of new wind farms.

In the rest of the Group, even though it doesn't sell energy to end users, IBERDROLA RENOVABLES is making efforts to become familiar with the expectations of all its customers and stakeholders and to provide products and services that are fully satisfactory to them. To do so, it promotes research and development activities in technologies that efficiently generate electricity from renewable energy, meeting or even exceeding the expectations of customers, employees and other stakeholders and promoting continuous improvement of the Company's products and process management.

The Company is making major efforts in research and development. In 2008, it invested 12.1 million euros, nearly 50% more than the previous fiscal year.

Among the most significant projects performed during prior fiscal years are the Renewable Energy Operation

Center (Centro de Operación de Renovables) (CORE), METEOFLOW (a system for predicting electric production in wind farms) and the Domina Project. More information about these projects is available on the Company's website:

www.iberdrolarenovables.es.

Furthermore, IBERDROLA RENOVABLES includes safety and occupational health standards at all stages of the production system and has implemented an environmental management system that ensures that the negative environmental effects of its products are identified, evaluated and reduced.

In addition, IBERDROLA RENOVABLES fosters the extension of these practices to its supply chain, as set forth in its Contracting and Supplier Relations Policy.

These obligations are including among the Corporate Social Responsibility Policies available on the website www.iberdrolarenovables.es in the section "About Us, Our Policies."

2. PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS

Aspect: Customer health and safety

PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.

IBERDROLA RENOVABLES performs safety evaluation procedures at the concept development stage and at the R&D stage.

When a wind farm or other renewable energy plant is designed, strict standards are used both during construction and during operation so that all environmental and safety requirements are met.

In particular, all of IBERDROLA RENOVABLES' wind farms are certified under ISO 14001 for environmental management systems during the operational stage, and some of them are certified under OHSAS 18001 with respect to the occupational health and safety management system.

In addition, and as concerns safety and health, SCOTTISHPOWER RENEWABLES obtained OHSAS 18001 certification in March 2009 for all its facilities and business divisions in the United Kingdom.

Aspect: Product and service labeling

PR3. Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.

In the United States, energy sourcing is reported. Community Energy sells energy from renewable energy sources, which is certified by external verification. The program giving rise to this activity is called "Green-e Energy and Green-e Climate verification."

The rest of the IBERDROLA RENOVABLES Group does not sell energy to end customers, for which reason this indicator does not apply to them.

PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.

As mentioned earlier, the only company of the IBERDROLA RENOVABLES Group engaged in the retail sale of energy is Community Energy, which is established in the United States. Community Energy performs annual customer satisfaction surveys for its commercial and institutional customers. The procedure consists of consolidating responses to a questionnaire and is completely anonymous. In 2008, participation was about 30%. The results of these surveys indicate that 92% of customers said they were very satisfied or satisfied with their service. In addition, 96% said they would recommend the company.

In addition, Community Energy has a customer service department that handles telephone calls and e-mails from residential and household customers. In 2008, it handled over 5,500 calls and 880 e-mails.

Aspect: Marketing communications

PR6. Programs for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.

The IBERDROLA RENOVABLES Group does not market any products. Communication is based on transmitting the Company's vision and values through its brand.

The Group's primary activity is considered positive because of its contribution to sustainable development. However, there are associations that oppose the development of wind farms because they believe they generate certain negative impacts, such as

IBERDROLA RENOVABLES promotes research and development activities in technologies that efficiently generate electricity from renewable energy, meeting or even exceeding the expectations of customers, employees and other stakeholders.

visual impacts, danger to avian fauna, and noise. The IBERDROLA RENOVABLES Group is taking action to reduce these impacts as much as possible through the various initiatives described in the management approach for the environmental and social dimension. The Company's vision is that solutions to these impacts can be found and impacts can be compensated by benefits to society and the environment from the exploitation of energy from renewable energy sources.

Furthermore, in the United States, Community Energy's "Green-e" marketing programs relating to green energy require the independence of the audits performed by third parties to assure customers through verification that the energy sales are carbon-free, with the issuance of Renewable Energy certificates.

Aspect: Customer privacy

PR8. Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.

There are no complaints against the IBERDROLA RENOVABLES Group for reasons relating to the respect for privacy or the losses of personal data of customers.

Aspect: Compliance

PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.

There have been no fines imposed on the IBERDROLA RENOVABLES Group for non-compliance with legal provisions regarding the supply or use of products and services.



ANNEXES

2009

Annex 1: Contributions to the Community

Annex 2: External independent Verification Report

Annex 3: Table of contents in accordance with the Global Reporting Initiative (GRI)

ANNEX 1: IBERDROLA RENEWABLES' CONTRIBUTION TO THE COMMUNITY

IBERDROLA RENEWABLES' commitment to the communities in which it operates is achieved in compliance with the guidelines established by the IBERDROLA Group through various community activities in collaboration with the relevant institutions of the government and civil society.

Specifically, five priority areas have been identified at Group level for its community activities, which have led to the following strategic community support programs:

- Community socioeconomic development
- Art and Culture
- Education and Training
- Activities with underprivileged persons
- Environment

The following table shows the financial contributions for each company involved in reporting for the IBERDROLA RENEWABLES Group. Additional more information can be found on their respective websites.

Contribution amounts for sponsorship, patronage and community service	IBERDROLA RENEWABLES GROUP
Amount for the "Art and Culture" Program	€ 36,194.60
Amount for the Education and Training" Program	€ 25,000,00
Amount for the "Community Service Activities" Program	€ 1,429,112.61
Amount for the Amount for the "Environmental Sponsorship" Program	€ 500,00
Amount for the "Environmental Economic Development" Program	€ 461,066.77
Amount for other sponsorship programs	€ 202,931.63
TOTAL	€ 2,154,805.62

Collaboration through these programs provides various benefits, both for society and for IBERDROLA RENEWABLES.

- Constructing, maintaining and reinforcing relationships of trust with communities by supporting social organizations and local governments.
- Better brand recognition and improvement of reputation as a result of its commitment to the community.
- Improved satisfaction of employees by participating in a company that is valued and recognized socially and through its volunteer and community assistance programs.

Activities within the framework of the Art and Culture Program.

The goal of this program is to foster the artistic and cultural development of the surroundings in which the Company operates, in cooperation with the government and institutions.

IBERDROLA RENEWABLES in Spain.

IBERDROLA RENEWABLES has developed various programs in support of art and culture in the Autonomous

Communities in which it has a presence. Among the most noteworthy are sponsorship of various festivals in Aragón and the Basque Country, support of music through a donation to the Palau de la Música Catalana and assistance in restoring and reconditioning architectural works of artistic value. Also of note is the restoration of the balcony of St. Toribio's chapel and the stairs that link the temple to the Victorio Macho interpretation Center (Palencia).

At the international level.

Various activities have been carried out, of particular note being sponsorship of festivals and theater works in addition to sponsorship and other donations for various events such as the BWEA regatta, a contribution to the construction of an outdoor theater in the municipality of Sofiko (Greece), and a donation to restore a historic building of the Lempster Civic Center (United States).

Activities within the framework of the Education and Training Program.

IBERDROLA RENEWABLES in Spain.

This program's primary goal is to improve training and specialization of various groups, particularly in the understanding of renewable energy. The most emblematic projects in this program are activities associated with the Energy Classrooms. Specifically, as of the date of this report, there are four Energy Classrooms:

- Higuera, Albacete, which so far has had more than 32,000 visitors.
- Sisante, Cuenca, which so far has had over 16,000 visitors.
- Villacañas, Toledo, which so far has had nearly 7,000 visitors.
- Maranchón, Guadalajara, which is the most recent one and has already had over 200 visitors.

As an additional part of this framework, there has been other collaboration and sponsorship with universities (such as in Zaragoza and in the Basque Country), open houses and other cooperative efforts with regional autonomous governments, such as the *Institut Català de la Energia* (Catalonian Energy Institute) of the Regional Autonomous Government of Catalonia or the sponsorship of the Aragon Hydrogen Foundation of the Council of Industry (*Fundación del Hidrógeno de Aragón de la Consejería de Industria*) and various municipalities.

At the international level.

Various courses and events associated with generation of renewable energy, primarily wind energy, have been sponsored, aimed both at students and an expert audience. Of particular note is a program to design small turbines or other more general collaboration, such as helping children to read.

As in Spain, there have been various open houses at the international level to promote familiarity with this type of renewable energy generation.

Activities within the framework of the Community Service Program.

The goal of this program is to contribute to improving the quality of life of the most underprivileged groups in society.

Of note are Volunteer Programs carried out by employees of IBERDROLA RENEWABLES in the United States, as well as various donations and fund raising efforts for institutions and foundations such as the National Children's Cancer Society or the National Multiple Sclerosis Association (United States) or the Greek Society for the Protection and Rehabilitation of Handicapped Children (Greece).

In regards to education, we have collaborated on the reconstruction of a school building in Palaikastro, Crete (Greece), and contributed to a student assistance fund, granting scholarships through the Columbia Gorge Community College Foundation in Oregon, all as part of the Renewable Energy Technology program (United States).

Furthermore, employees at all of IBERDROLA RENEWABLES' offices participated in the "Community Giving Campaign 2008" directed towards a number of accredited charities nationwide (United States).

Finally of note, because of its relationship with the energy business, is the donation that IBERDROLA RENEWABLES and ENSTOR made to two state organizations to assist needy families in rural Mississippi and Alabama to pay winter heating bills and provide these families with the services associated with additional energy. Mississippi's Department of Human Services and Alabama's Department of Economic and Community Affairs have assistance programs to provide energy to low income households (United States).

Activities within the framework of the Environmental Sponsorship Program.

This program continues to extend the commitment of IBERDROLA RENEWABLES and the entities and companies associated therewith to protecting the environment through various initiatives of interest.

IBERDROLA RENEWABLES in Spain.

As part of the IBERDROLA Group, the Company confirms its commitment to the environment and has joined the "Caring for Climate" platform promoted by the United Nations, committing to adopt and promote among its stakeholders measures aimed at reducing climate risks and fostering sustainable development.

Furthermore, as regards biodiversity, the regional autonomous government of Castilla y León and IBERDROLA RENEWABLES have signed a collaboration agreement to protect natural heritage as part of a Framework Collaboration Agreement. This agreement

IBERDROLA RENEWABLES' commitment to communities has materialized in the contribution of more than 2 million euros for sponsorship and patronage programs.

is intended to establish the conditions for cooperation in the development and execution of an activities program to preserve and manage Castilla y León's natural heritage, including activities aimed at the Conservation Plan for Bonelli's Eagle and at keeping track of the populations of Dupont's lark in the areas affected by various wind farms in the province of Soria.

It has also collaborated with the Environmental and Rural Development Office (*Consejería de Medio ambiente y Desarrollo Rural*) of Castilla-La Mancha to replant 24,000 trees in the province of Cuenca through an agreement signed with the Office and the state-owned Public Environmental Management Company (*Empresa Pública de Gestión Ambiental*) (GEACAM), being the first private initiative to contribute to the reforestation goal set by the Executive of Castilla-La Mancha during this term.

Also of note is the collaboration on the "BENGOLA Renewable Energy Theme Park" (a central project for communication, education and investigation of renewable energy in Munitibar, Biscay) and participation in the "Conservation of the Common Cantabrian Capercaillie" program, one of the most noteworthy programs led by the Group in the area of biodiversity in Spain.

IBERDROLA RENEWABLES and the Government of Castilla-La Mancha celebrated Arbor Day in Ucles, Cuenca. During the celebration, representatives of both entities and 200 handicapped persons from five associations in Castilla-La Mancha planted over 500 trees in the area.

IBERDROLA RENEWABLES has joined the initiative of the NGO Accionatura called "*Planta tu árbol*" (Plant Your Tree) to promote environmental education by distributing 2.5 million forest pine tree seeds. The seeds were included in Disney-Pixar DVDs for the film Wall-E. With the help of experts, the children learned to plant forest pine trees and they learned what care the trees needed while they grew.

Other activities of note are sponsorship of the "European Wind Day Convention" organized by the Wind Energy Association (*Asociación de Energía Eólica*) (AEE), sponsorship of environmental trails in Galicia, Aragon and the Basque Country, and sponsorship of the "Optimization Program for Environmental Monitoring of Wind Farms in Galicia," the goal of which is to set up a network of environmental information points online, with the data being published in real time on IBERDROLA RENEWABLES'

website, www.iberdolarenovables.es, after all the work is done.

At the international level.

IBERDROLA RENEVABLES is a Premium Partner for the “Wind Power Works” campaign set up by the Global Wind Energy Council (GWEC) as part of the global campaign against climate change. The goal of the campaign is to familiarize the various opinion leaders and international media with the wind energy industry. In December 2008, there was a world conference in Poznan, Poland, and in 2009, the meeting will be in Copenhagen, Denmark.

SCOTTISHPOWER RENEVABLES has sponsored various events associated with biodiversity and the environment and has made a plan for conservation and regeneration at the wind farm in Beinn an Tuirc, planning to introduce mountain hares and helping in the births of two golden eagle chicks, a species on the verge of extinction (Scotland).

ROKAS RENEVABLES has implemented a Beach Cleanup Program for maritime week in Killini Port, Greece.

In the United States, IBERDROLA RENEVABLES sponsored the 10th Anniversary Gala for environmental groups, with Al Gore presiding, and it made various donations to support the PennFutures Center of Energy, Enterprise & Environment for Earth Day in Philadelphia. In addition, it has collected funds for the Clean Air Council in Pennsylvania (United States).

Activities within the framework of the community Economic Development Program.

The goal of this program is to improve the competitiveness of the societies in which IBERDROLA RENEVABLES has a presence.

IBERDROLA RENEVABLES in Spain.

The Company has participated in various meetings on the development of biomass in the Autonomous Community of Andalusia, as well as at a Renewable Energy Conference in the Valencian Community.

Also of note in this program is participation in fairs such as the 42d General Session of CIGRÉ held in Paris, where IBERDROLA RENEVABLES made a presentation on “Reactive Power Control at Wind Farms. Real Experience and Results.” CIGRÉ continues to be a benchmark for the electricity industry. Also of note is participation in the Husum Windenerg fair, the main wind power fair in Germany, and participation in Expo Mediterránea 2008, a wind power fair held in Rome as part of Zero Emission Rome 2008.

At the international level.

The British Wind Energy Association held its 30th annual conference, BWEA30, at ExCel (London) and SCOTTISHPOWER RENEVABLES sponsored the opening reception, attended by about 200 delegates (United Kingdom). SCOTTISHPOWER RENEVABLES also participated with stands at the BWEA Marine and Renewable Energy Forum (Scotland).

Also quite noteworthy is SCOTTISHPOWER RENEVABLES's sponsorship of BWEA Wales to reinforce its position in Wales and establish ties among the various stakeholders, as well as sponsorship of the annual Wales Quality Award 2008 dinner (United Kingdom).

IBERDROLA RENEVABLES sponsored the National Night Out in Kennedy County, where the Peñascal facility is located, and the reception dinner for the Annual Conference of the Southern California Public Power Authority (SCPPA) (United States).

Community Energy sponsored the 15th Anniversary of the Environmental Law & Policy Center dinner and made a donation to promote the working group on cost effectiveness of wind turbines in Illinois (United States).

In addition, within the framework of conferences and exhibitions, SCOTTISHPOWER RENEVABLES, as well as presenting at various conferences, forums and events associated with the industry, set up three open houses for the general public to acquaint them with their plans to expand the Whitelee wind farm, and held an annual conference for the Central Scotland Forest Trust at the Blacklaw facilities (United Kingdom).

As part of the project headed by Carbon Trust, SCOTTISHPOWER RENEVABLES supported a campaign designed to reduce the costs of offshore wind power (United Kingdom).

ROKAS RENEVABLES participated in the information technology graduation awards at the National Technical University of the Peloponnesian Peninsula (Greece).

R&D&i Plan.

A significant research and development effort being carried out by the Company in this area is a 12.1 million euro investment in research, development and innovation (R&D&i) activities, both in new generation technologies and in the continual improvement of the efficiency of existing assets.

CORE, IBERDROLA RENEVABLES' control center, is a pioneering initiative in the industry, both because of the leading-edge technology with which it is equipped and because of its function and scope.





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Independent Review Report of Iberdrola Renovables 2008 Sustainability Report According to the ISAE 3000 Standard

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

To the management of Iberdrola Renovables

Introduction

We have been engaged by Iberdrola Renovables to review the non-financial information corresponding to the year 2008, included in its 2008 Sustainability Report (hereinafter the Report), which is available to the general public and whose scope is described in the section 3.6 Boundary of the report..

The contents, preparation and maintenance of the information systems that provide the data, as well as the integrity of the Iberdrola Renovables Report, are the responsibility of Iberdrola Renovables Management.

Scope

In the Report, Iberdrola Renovables describes the efforts and progress it has made towards a more sustainable development. Our responsibility has been to review the Report, assure appropriate application of the Global Reporting Initiative Version 3 (GRI G3) Guidelines based on Iberdrola Renovables's level of self-declaration, and to offer readers a limited level of assurance in relation to the verification of non-financial information, according to the ISAE 3000 standard (International Standard for Assurance Engagements), that:

- The quantitative data has been reliably obtained.
- The qualitative information is adequately supported by internal or third-party documentation.
- The Report follows the GRI G3 Guidelines for A+ level of application, and the self-declaration has received Global Reporting Initiative confirmation.

Review criteria

Our work has been carried out in accordance with ISAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB), and the Guidelines for Engagements in the Revision of Corporate Responsibility Reports from the Spanish Institute of Registered Auditors (ICJCE). Among other requirements, compliance with these norms requires the following:

- The engagement has been carried out with a team specialised in assurance and corporate sustainable development. In accordance with the aforementioned norms, this engagement complies with KPMG's independence policy, which is based on the IFAC Code of Ethics for Professional Accountants.

- The procedures undertaken are substantially fewer than those of a reasonable assurance procedure, and consequently the assurance provided is also lower. Under no circumstances may this report be understood as an audit report.

In our review we have followed Iberdrola Renovables' criteria for application of the GRI G3 principles, as described in the section Profile: Report Parameters.

Work performed

We have reviewed the reliability of the quantitative data and other qualitative information included in the Report as described in the scope, basing our review on the following activities:

- Interviews with personnel responsible for the systems providing information included in the Report.
- Review of the systems used to generate, aggregate and facilitate the data.
- Analysis of the scope and manner in which information is presented.
- Review by sampling of the calculations carried out at corporate level and their consistency.
- Verification that other information included in the Report is adequately supported by internal or third-party documentation.

Conclusions

Based on the work described above, we have not observed circumstances indicating that the data included has not been obtained by reliable means, that the information is not fairly stated. We have also not identified any significant omissions or differences in the information reviewed.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez
Partner

7 May 2009

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YOUR OPINION MATTERS

IBERDROLA RENOVABLES is confident that the information provided in this 2008 Sustainability Report is complete and useful for all of its stakeholders. IBERDROLA RENOVABLES' goal is to progress each year, providing responses that satisfy the expectations of these stakeholders in terms of the quality, clarity, accuracy and transparency of the information presented.

As a means to achieve this goal, IBERDROLA RENOVABLES seeks continuous improvement in the relationship and dialog with society in general and with its stakeholders in particular.

In order to know your opinion, we would like for you to give us your comments and suggestions by sending an email to sostenibilidad@iberdrola.es or through our website by clicking "Contact us" in the upper right corner of our website and then clicking the "Your opinion matters" button at the bottom of the page.



The answers to this survey regarding the 2008 Sustainability Report will be taken into account in the preparation of subsequent Sustainability Reports.

Thank you in advance for your cooperation. We highly value your opinion.





IBERDROLA
RENOVABLES