



# Delivering Energy in a Sustainable Manner

Sustainability Report 2016

**Our vision is to be a leader in the energy sector, through service and innovations that make reliable, sustainable and cleaner energy a reality for millions of customers across the U.S.**

**KEY HIGHLIGHTS**

**88%**  
of AVANGRID's power generation capacity uses renewable sources of energy such as wind, solar and hydro

**7-time winner**  
of #1 rank in customer satisfaction by J.D. Power and Associates awarded to Central Maine Power Company

**2016 Energy Star**  
Awarded by EPA to Connecticut Natural Gas and Southern Connecticut Gas for Energy Efficiency Program Delivery

**AWARDS**

**Utility Customer Champions**  
NYSEG, RG&E and CMP named "Utility Customer Champions" by Market Strategies International in the 2016 Utility Trusted Brand & Customer Engagement Study by Cogent Reports

**Corporation of the Year**  
Awarded to AVANGRID and its operating companies (United Illuminating Company, Southern Connecticut Gas Company, Connecticut Natural Gas Corporation) by the Greater New England Minority Supplier Development Council

**Phishing Defense Program of the Year**  
Awarded by PhishMe at Submerge 2016

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Peñascal Wind Farm  
Texas



Amazon Wind  
Farm U.S. East  
North Carolina

# Letter from our Chief Executive Officer

Utility of the future driving sustainable growth



 **James P. Torgerson**  
CEO of AVANGRID

**AVANGRID's vision is to be a leader in the energy sector, providing reliable service for our customers with a commitment to the well-being of our communities. We are committed to reducing our corporate carbon footprint and being a sustainable company in our investments, actions and culture. As the demand for clean energy increases, we enthusiastically embrace our vision and responsibility as a market leader with its renewables and networks businesses. Above all, we are committed to the highest standards of safety, ethics and corporate governance to ensure the long-term sustainability of our business and value creation for all our stakeholders.**

## **OUR GLOBAL FOOTPRINT**

It is my great pleasure to present AVANGRID's first Sustainability Report. This document includes information related to our economic, social, and environmental performance during 2016.

Today, AVANGRID is a leading, sustainable energy company with over \$31 billion in assets and operations in 27 states throughout the U.S. AVANGRID has two primary lines of business — Avangrid Networks and Avangrid Renewables. Our Networks business brings together eight regulated companies operating in the states of New York, Maine, Massachusetts and Connecticut, serving 3.2 million customers — 2.2 million in electric and 1 million in gas. Our Renewables business is among the top three wind operators in the U.S., with 5.9 GW of installed renewables capacity and another 600 MW currently under construction. We invested nearly \$2 billion in 2016 and will invest another \$9 billion in the period 2017–2020.

## **OUR COMMITMENT TO OUR CUSTOMERS**

Our highest responsibility and priority is the delivery of safe, affordable and reliable energy to all our customers. We drive innovation and best-in-class technology deployment to deliver valuable customer solutions and continuous improvement in the quality of our service. I am proud to say that we have met and exceeded all our regulatory service and reliability metrics across our regulated companies, earning a small incentive in our New York gas business for the first time. In our Renewables business, we focus on the generation of clean energy and also offer unique energy management services with highly developed expertise across all energy markets within the U.S.

## **OUR STEWARDSHIP FOR THE ENVIRONMENT**

Our commitment to sustainable business and clean energy is exemplified by our generation capacity mix, with 88% coming from renewable sources. In 2016, our carbon emissions intensity decreased 9% to 58g CO<sub>2</sub>/kWh and was eight times lower than the U.S. utility industry average. In the coming years, we will continue to reduce our emissions intensity thanks to the additional emission-free capacity we expect to bring on-line. AVANGRID has set the objective to reduce emissions intensity by 25% by 2020 (compared to a 2015 baseline) and to be carbon neutral by 2035.

## **OUR GOVERNANCE**

We have an established and transparent governance framework in order to guide the most efficient and effective decision making process and are committed to best practices in good governance and shareholder engagement. Over 40% of our board is comprised of members who meet the NYSE standard for independence. In addition, our Audit and Compliance Committee is comprised entirely of independent members, and a majority of the members of our Unaffiliated Committee and the recently created Compensation, Nominating and Corporate Governance Committee are independent.

## **OUR VALUES**

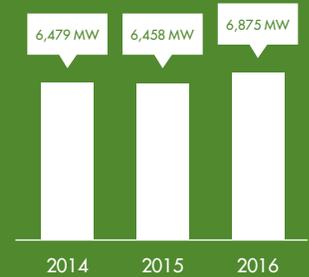
Twelve values uphold our approach to sustainability and our responsibility to our stakeholders. These pillars guide our approach towards our customers, colleagues, regulators and shareholders, as well as our impact on the environment, our communities and other groups.

## **OUR CULTURE AND EMPLOYEES**

Approximately 6,800 people contribute daily to the success of AVANGRID. We strive to match their dedication to our company and the customers we serve by providing a healthy, respectful and diverse working environment for all of our employees. Indeed, employee development is paramount to our success as we continue to integrate and grow our business. We have a continued focus on attracting and retaining talented employees, which includes partnerships with top universities, for a sustainable and responsible future.

# Highlights

## INSTALLED CAPACITY



## 1.8 GW

Renewable capacity to be added over the next four years from 2017 to 2020

## \$8.7 B

Rate base

## 3.2 M

Customers

## 88%

Emissions-free installed capacity

## 9%

Reduction of CO<sub>2</sub> emissions intensity



### OUR COMMITMENT TO SAFETY

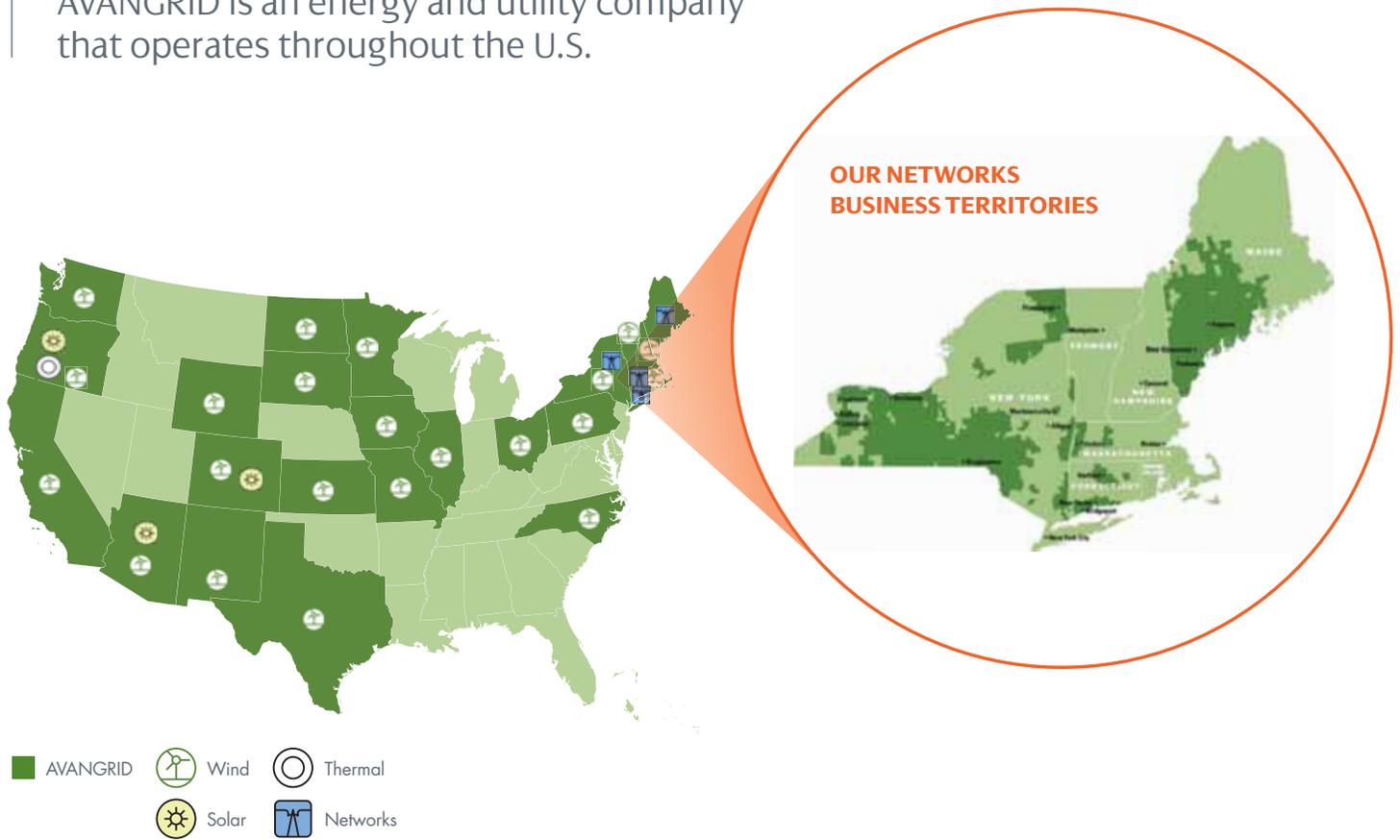
Nothing is more important than the safety of our employees and the communities we serve. In order to ensure their wellbeing remains a priority, roughly 60% of AVANGRID's businesses have received OHSAS 18001 health and safety management system certification. We expect that the remaining 40% will achieve certification during 2018.

### OUR COMMUNITIES

The environment and the vitality of the communities we serve is a critical part of our operation. In addition to ongoing community development work, AVANGRID has donated approximately \$3.7 million to charities and good causes — both directly and through the Avangrid Foundation. Our employees also serve and support our communities by donating their time and talents through numerous local volunteering efforts. We're excited to uphold our tradition of excellence, while setting forth new hallmarks for 2017.

# Our Core Operations

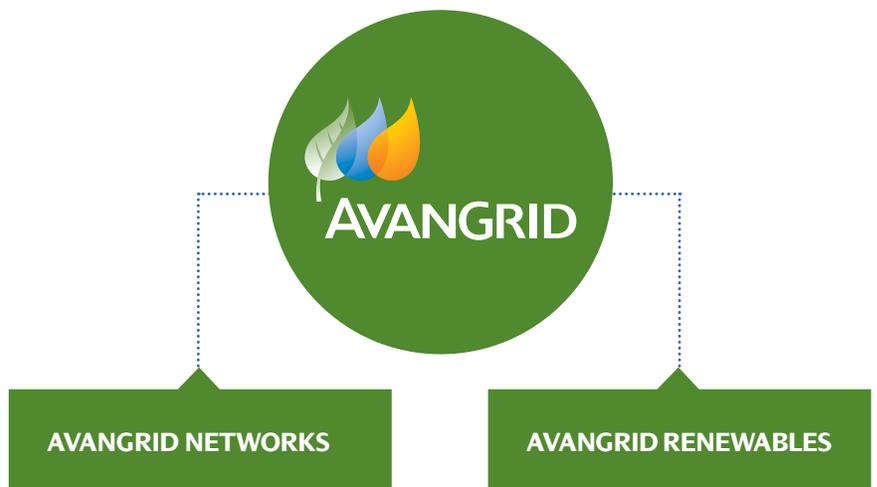
AVANGRID is an energy and utility company that operates throughout the U.S.



- AVANGRID
- Wind
- Thermal
- Solar
- Networks

AVANGRID, Inc. is a New York corporation headquartered in New Haven, Connecticut. With more than \$31 billion in assets, the company operates regulated utilities and electricity generation through two primary lines of business. Avangrid Networks is comprised of eight electric and natural gas utilities, serving 3.2 million customers in New York and New England. Avangrid Renewables, with 6.5 GW of electrical capacity, operates throughout the U.S. and is among the top three wind operators in the U.S.

AVANGRID employs approximately 6,800 people. The company was formed by a merger between Iberdrola USA, Inc. and UIL Holdings Corporation, or UIL, in 2015.



# Our Companies

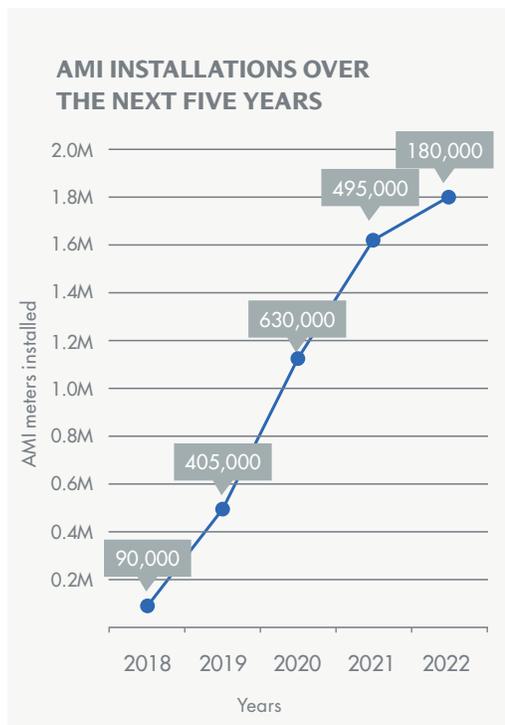
AVANGRID is positioning itself as the “utility of the future” through its investments in clean energy, infrastructure improvement and expansion, grid automation and modernization.

## AVANGRID NETWORKS

Avangrid Networks contributes about 75% of the company’s earnings. We continue to place a strong emphasis on investing in the reliability and safety of our system to meet the current and future needs of our customers. We are actively replacing aging infrastructure with modern solutions, as well as using new technologies for enhanced storm resilience and to enable smarter customer energy management.

## AVANGRID’S SMART GRID

Avangrid Networks offers several initiatives to transform the energy grid into a smart one. One such example is automated meter infrastructures (AMIs), which allow AVANGRID to read meters remotely, eliminating the need for travel. We have more than 1 million smart meters currently installed covering approximately 98% of our customers in Maine and 58% of our customers in Connecticut, with an additional 1.8 million electric and gas smart meters slated for installation over the next five years in New York. AVANGRID’s efforts have eliminated 1.5 million miles of driving in the state of Maine alone.



## AVANGRID RENEWABLES

Avangrid Renewables is among the top three wind operators of clean, renewable energy in the U.S. It offers unique energy management services with highly developed expertise across all energy markets within the U.S. leading to the creation of customized energy products and solutions for customers.



## WIND

AVANGRID owns and operates 5.9 GW of installed wind generation in 54 projects across nearly 2 dozen states. Most existing generation and all projects currently under construction feature long-term power sale agreements with utilities and industrial customers.

## SOLAR

AVANGRID is also expanding its solar generation capacity with 66 MW of new solar projects under long-term PPAs expected to be operational by the end of 2018 (56 MW in 2017 and 10 MW in 2018).

## Governance

AVANGRID's robust corporate governance system is modeled on best practices in U.S. markets.

The company's corporate governance system is based on a commitment to ethical principles, transparency and leadership in the application of best practices in good governance.

It is designed to be a working structure for principled actions, effective decision-making and appropriate monitoring of both compliance and performance.

### BOARD COMMITTEES

#### Audit and Compliance Committee

**Chairman:** Alan D. Solomont

The committee oversees the company's accounting and financial reporting and assists the board in monitoring the company's financial systems and legal and regulatory compliance. The committee directly oversees the company's internal audit department and compliance division and reviews the independence and qualifications of the company's independent registered public accounting firm. The committee is comprised solely of independent directors with financial background and expertise.

#### Compensation, Nominating and Corporate Governance Committee

**Chairman:** Alfredo Elías Ayub

The Compensation, Nominating and Corporate Governance Committee was established in 2016 as part of our corporate governance enhancements. It exemplifies the company's commitment to the best practices in corporate governance. This committee oversees matters related to executive compensation, and the company's director nominating process and procedures and is responsible for supervising and maintaining AVANGRID's corporate governance system.

#### Executive Committee

**Chairman:** Ignacio S. Galán

The Executive Committee serves primarily to support and advise the board and may take action when the full board is not in session on such matters that are not otherwise reserved for the board or the Audit and Compliance or Unaffiliated Committees.

#### Unaffiliated Committee

**Chairman:** Felipe de Jesús Calderón Hinojosa

This committee is comprised solely of directors independent from Iberdrola, S.A., our majority shareholder, and, among other things, has the primary responsibility of reviewing and approving all transactions entered into between AVANGRID and Iberdrola, S.A. or its affiliates and ensuring that they are entered into on an arm's-length basis.

### MANAGING SUSTAINABILITY

Our Chief Executive Officer is responsible for sustainability and citizenship. Strategy is developed by the Chief Executive Officer's office, with responsibility for implementation delegated to the Chief Executive Officers of Avangrid Networks and Avangrid Renewables.

### INDEPENDENT OVERSIGHT

Each year, we engage an independent external auditor to conduct an evaluation of our corporate governance system. In 2016, we met or exceeded all 91 assessment indicators.

As part of its 2016 corporate governance enhancements, AVANGRID increased its number of directors from 12 to 14, appointing two new independent directors. Six out of AVANGRID's 14 directors are independent and two directors are women.

## 2016 Highlights

### 92% Shareholder Engagement

Reached out to holders of more than 92% of AVANGRID's outstanding shares

### Finalist

In the 2016 NYSE Governance Award for "Best Governance, Risk & Compliance at Large-Cap Company"

### BBB+ Credit Rating

With all rated subsidiaries at Baa1 — or better

### 97%

Average support for all proposals submitted to shareholders

### 2

Additional independent directors appointed to the board

### New Committee

New Compensation, Nominating and Corporate Governance Committee established

# Our Values

AVANGRID's foundation of success is built on 12 values centered on its commitment to quality, security and reliability.



## RESPECT FOR THE ENVIRONMENT

Development of clean energy and respect for the environment are pillars of our energy production model and our operations.



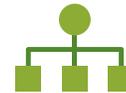
## SUSTAINABLE CREATION OF VALUE

AVANGRID embraces a long-term vision of societal and employee wealth that achieves a better future without compromising present results.



## ETHICAL PRINCIPLES

AVANGRID responds and adheres to generally accepted social responsibility principles and is committed to the highest ethical standards.



## GOOD CORPORATE GOVERNANCE AND TRANSPARENCY

AVANGRID cares for and engages with stakeholders in corporate life within a framework of transparency and a solid corporate governance system.



## DEVELOPMENT OF WORKFORCE

Employees are a strategic asset who are cared for and provided with a good working environment, including development, training and equal opportunities.



## INNOVATION

As leaders of innovation in the energy sector, AVANGRID incorporates new technologies and business models for the sustainable development of our Networks and Renewables businesses, with a focus on the Utility of the Future.



## SAFETY AND RELIABILITY

Safety and Reliability are unwavering commitments to our employees and our customers. We continue to seek and implement best practices, in occupational health to create a safe work environment for our employees, and to build a robust and reliable system for our customers.



## QUALITY

A rigorous process to ensure quality is essential in creating value for everyone involved with the company.



## SOCIAL COMMITMENT

AVANGRID positively affects local economic development, generates employment and gives back to the community, seeking the sustainable development of its community partners.



## SENSE OF BELONGING

AVANGRID involves all stakeholders through continuous and constructive dialogue that gauges expectations, builds strong bonds and generates a sense of trust and belonging.



## CUSTOMER FOCUS

AVANGRID prioritizes the needs and expectations of customers. This dedication is reflected in everything we do.



## INSTITUTIONAL LOYALTY

AVANGRID's relations with public authorities are based on respect for the law, professionalism, collaboration and good faith.

# Environmental Management

AVANGRID works to keep its ecological footprint as small as possible.



Bridgeport Solar  
Connecticut

## OUR APPROACH TO ENVIRONMENTAL MANAGEMENT

AVANGRID has collaborated with several environmental centers in order to engage in and protect the environment and wildlife. These initiatives are part of the company's strategy for continuous improvement in clean energy and a safe, sustainable environment.

## WATER CONSUMPTION

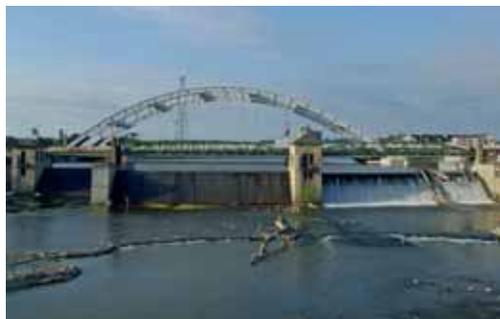
AVANGRID balances its internal water consumption through programs that reduce water usage.

AVANGRID's cooling systems utilize treated wastewater to avoid taking it from rivers or dams. An exemplary model of this practice is the Klamath Cogeneration Plant in Oregon, which uses treated wastewater for 90% of its operations, reducing wastewater discharge by 2.3 million gallons per day.

## WASTE

AVANGRID aims to sustainably dispose of and treat waste. Where possible, AVANGRID aims to recover, recycle or reuse waste materials, and conforms to the following principles:

- Responsible environmental management
- Cost effectiveness
- Prioritization on reuse and recycling
- Programs to minimize and improve management of non-hazardous waste
- Prevention, treatment and disposal of hazardous waste pursuant to applicable laws and best practices.



RG&E Station 26, Genessee River  
Rochester, New York

RECOVERED, RECYCLED  
AND REUSED WASTE  
(METRIC TONS)

2016

231,516

2015

14,647

# Greenhouse Gas Emissions

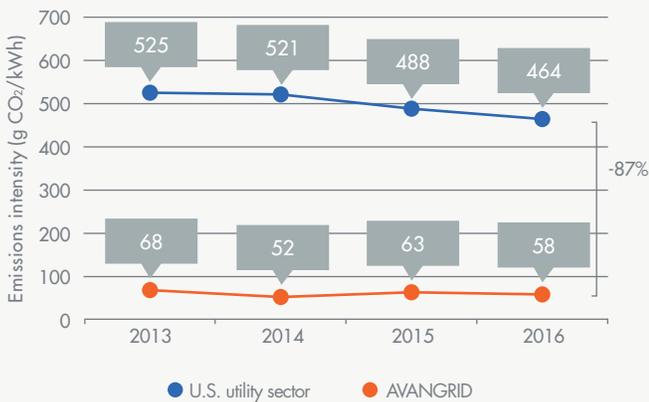
AVANGRID is committed to providing clean, low emission energy. 88% of our generation capacity in 2016 was emission free and we seek to minimize emissions where possible.

## EMISSIONS AVOIDED

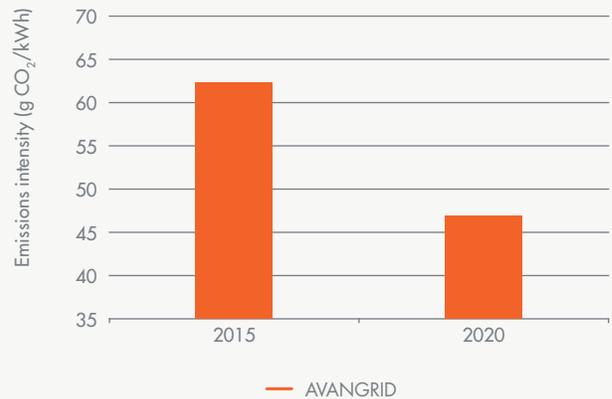
Renewable energy is naturally low-emission or emission-free. AVANGRID's CO<sub>2</sub> emissions intensity in 2016 was 58g CO<sub>2</sub>/kWh (127lbs/MWh); just 12% of the U.S. average of 464g CO<sub>2</sub>/kWh\*.

The 15,329 GWh of electricity AVANGRID generated from renewable sources in 2016 allowed our customers to avoid 7 million metric tons of CO<sub>2</sub>. This is roughly the equivalent of taking 1.5 million cars off the road.

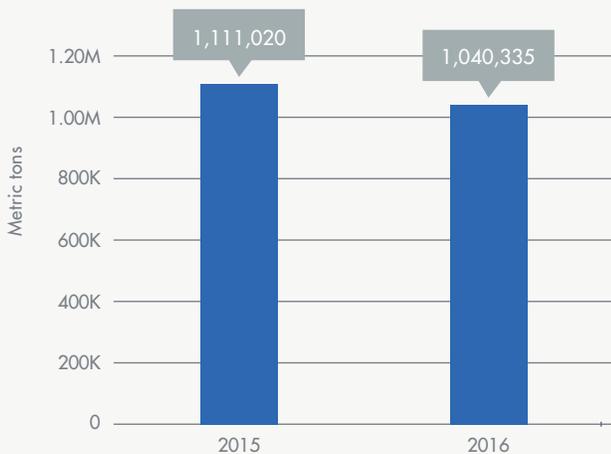
### AVANGRID'S EMISSIONS INTENSITY ARE WELL BELOW NORTH AMERICAN AVERAGE ...



### ... AND DUE TO INVESTMENTS IN RENEWABLES, OUR GOAL IS THAT THE EMISSIONS INTENSITY OF OUR GENERATING CAPACITY WILL DECREASE BY 25% BY 2020 (COMPARED TO A 2015 BASELINE)



## CO<sub>2</sub> EMISSIONS



In December 2015, Iberdrola USA and UIL Holdings merged, increasing generation capacity, estate and footprint.

## 7 million metric tons

CO<sub>2</sub> emissions avoided by our customers — equivalent to taking 1.5 million cars off the road



Klondike  
Oregon

\*Source: U.S. Energy Information Administration, 2016 figures

# Biodiversity

AVANGRID encourages biodiversity through projects that conserve, protect and promote the growth of natural heritage.



## PROTECTING AQUATIC HABITATS

To improve water quality and the aquatic habitat of the riverbank, AVANGRID developed water treatment programs in collaboration with land owners in two river basins, treating runoff from impermeable areas in the basins prior to its entry into the river.



## PROTECTING HABITATS AND PLANT SPECIES ON LAND

AVANGRID aims to reduce its impact on flora and fauna while also raising social awareness of biodiversity. The Hoosac wind farm in Massachusetts takes active measures to foster the regeneration of the habitat by monitoring indigenous species, raising awareness and training local communities to do the same.

Farmers City wind farm  
Missouri



## PRESERVING WETLANDS

Ducks Unlimited is the world's largest and most effective private waterfowl and wetlands conservation organization. AVANGRID's Auburn Transmission Project wanted to further Ducks Unlimited's goal of preserving and protecting the beautiful wetlands of their local community, so AVANGRID collaborated with Ducks Unlimited to purchase wetlands that would improve the quality of the habitat and protect the local wildlife.

# Sustainable Development Goals (SDG)

AVANGRID focuses its efforts particularly on building an affordable and clean energy supply (goal 7) and acting for the climate (goal 13).

## 7 AFFORDABLE AND CLEAN ENERGY



### AFFORDABLE AND CLEAN ENERGY

AVANGRID's core energy generation activity is clean, emission-free wind and solar electricity. In 2016, 88% of the installed generating capacity owned and operated by AVANGRID was emission-free. We are providing customers with cleaner, reliable, consistent energy, with renewables and traditional generation working together in the U.S. energy mix. We will continue to invest in clean energy.

**Target** Increase renewables installed capacity by more than 30% by 2020 compared with 2015.

## 13 CLIMATE ACTION



### CLIMATE ACTION

Increased use of renewables reduces the average emissions of U.S. energy. In addition to our growth in renewable energy capacity, we also seek to reduce our operational emissions and energy losses in transmission and distribution, which remain below 9%. We believe renewables are an important part of the energy sector's response to climate change and an important contributor to energy security. We support policies that enable renewable energy and encourage low carbon energy.

**Target** 25% decrease in emissions intensity CO<sub>2</sub>/kWh by 2020 compared with 2015 and to be carbon neutral by 2035.

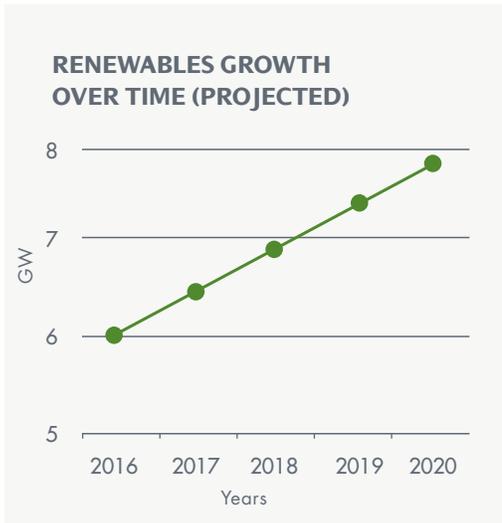
### SDGS WITH RESPECT TO THE ENVIRONMENTAL DIMENSIONS

AVANGRID's sustainability policy is built to support the Sustainable Development Goals spearheaded by the United Nations. Below are the goals that the company contributes to:



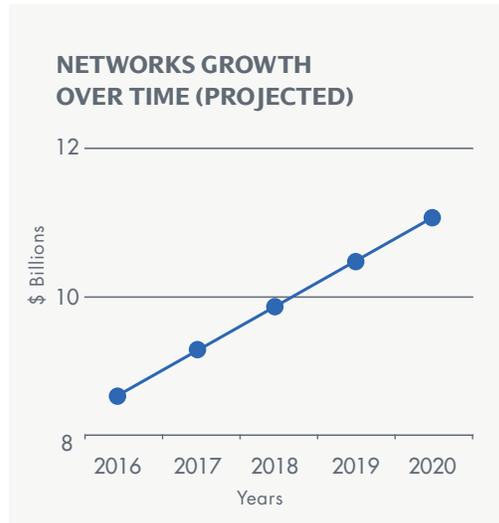
## Our Business Activities

AVANGRID brings a diverse mix of energies and technologies to achieve a balance between the old and new.



### Renewables

Installed capacity projected to increase from 5.9 to 7.7 GW from 2016–2020



### Networks

Rate base projected to grow from \$8.7 B to \$11.0 B from 2016–2020

### LISTENING TO OUR CUSTOMERS

AVANGRID has implemented a robust listening program called Voice of the Customer to improve their service and performance. It relies on quantitative and qualitative research through channels including social media, focus groups, compliant tracking, consumer panels, benchmarking and customer satisfaction trackers to understand and meet customer needs and ensure customer satisfaction.

### MAJOR ACCOMPLISHMENTS

- 1 In North Carolina, AVANGRID finished building the Amazon Wind Farm U.S. East, a wind energy facility that can generate more than 600,000 MWh of wind power per year.
- 2 AVANGRID earned strong reliability and customer satisfaction scores across all utilities. It also earned a state-funded incentive in New York for the first time.
- 3 AVANGRID's constructive rate agreements along with FERC regulated transmission provide rate stability on more than 80% of their rate base.
- 4 The implementation of the Safe Harbor strategy to secure up to 2 GW wind, and the repowering strategy for up to 370 MW.
- 5 Established an Innovation Center for AVANGRID, resulting in a 27% increase in innovation activities from 2015.
- 6 Avangrid Renewables worked with Nike Inc. executing a long-term Power Purchase Agreement (PPA) for its facilities in Oregon as part of Nike's commitment to reach 100% renewable energy for owned or operated facilities globally by 2025.

## Financial Highlights

**\$630 M**

Full Year 2016 Net Income (\$2.04/share)

**64%**

Increase in capital investments since 2015

**\$1.9 B**

Dollars in capital investments in 2016

## Spotlight on Innovation

Innovation is what drives our success. We invest significantly in people, technological processes and platforms to unlock innovation across our businesses.

**AVANGRID (U.S.) INNOVATION PORTFOLIO 2016 SPEND \$M**



### RAISING THE BAR

AVANGRID uses innovation to improve reliability, reduce environmental impact and increase efficiency. Recent developments include:

### NETWORKS

#### Infrastructure and Technology

- Advanced Metering Infrastructure (AMI) deployed approximately 98% in Maine and 58% in Connecticut. Planned deployment in New York of 1.8 million electric and gas smart meters by 2022
- New technology to integrate Distributed Energy Resources (DER) will provide real time information that will optimize voltage, power flow and quality, improve forecasting, and provide better digital information for customers

### RENEWABLES

#### Dispatch and Control

- Operational forecasting is being enhanced to optimize energy planning
- Wind pattern analysis and resource assessment is used to improve energy management
- Centralized control capability allows for dispatch of 60+ assets across the U.S. with state-of-the-art control technology

### CASE STUDIES

#### IDEAS INTO ACTION

In 2017, AVANGRID will launch an employee innovation platform to allow employees to submit ideas focused on improving the business. A cross-business panel including renewable and network business leads, IT and corporate functions will assess ideas and cascade to individual business units for action.

#### NYSEG YES HOME SOLUTIONS

NYSEG is launching an online portal that connects residential customers in Tompkins County with local service providers who offer energy efficiency, residential solar and shared community solar installation.

## Highlights

### 2016 Q4

Innovation Center established

### 126 ideas

Submitted to the internal innovation platform

### 27%

Increase in innovation activities as compared to 2015

# Our People

AVANGRID engages employees by building the capabilities of our leaders, promoting talent and developing employees professionally within a motivating environment.

## BUILDING LEADERSHIP

A centralized leadership model, with five key dimensions, is used to describe the attitude, knowledge and skills our leaders must demonstrate in order to continue as an industry leader.



### BUILDING A GLOBAL COMMUNITY

Promote positive working relationships across team and geographical boundaries, while building synergies, efficiencies and shared learning.



### GROWING TALENT

Grow, develop and promote talent across geographic and organizational boundaries by building teams that value personal and professional growth and self-awareness.



### THINKING COMMERCIALY

Drive operational and strategic decision-making that encourages thinking broadly, making sound decisions and championing innovation.



### DRIVING EXCELLENCE

Deliver outstanding results with a focus on quality outcomes while influencing others to deliver to high standards.



### SHOW PASSION FOR THE FUTURE

Use vision and values to successfully drive transformational and operational change by generating optimism, inspiring others, demonstrating courage and leading with integrity.



## PEOPLE BY THE NUMBERS IN 2016

**6,801**

Total employees

**4,804**

Male employees

**1,997**

Female employees

**433**

Employees received promotions

**100%**

Employees eligible for defined-contribution plans

**15.40**

Average years of service in 2016

**15.26**

Average years of service in 2015

## ONEHR STRATEGY

OneHR is a global initiative which has integrated human resources processes into a single and unified SAP Platform. Through the standardization of HR systems and policies, employees can rely upon consistent access to human resources information, as well as a more effective implementation of best practices across the company.

# Our People

AVANGRID’s dynamic work environment includes training and development programs and equal opportunity policies that support and celebrate diversity and inclusion in the workplace.

## TRAINING AND DEVELOPMENT

AVANGRID is committed to the training and continuous development of its team. AVANGRID offers a variety of resources to assess, develop and support employees in their career development journey, including: personal development plans and guidance on creating those plans, identification of potential future leaders and their related development, targeted leadership training and mentoring, to name a few.

### TRAINING FOR OUR PEOPLE

AVANGRID offers training courses in the following areas:

- Technical
- Systems and Information Technology
- Languages
- Management Skills
- Quality and Continuous Improvements
- Health and Safety
- Environment

## DIVERSITY AND INCLUSION

AVANGRID has policies which support diversity and the company’s commitment to equal employment opportunity for all employees. The company also has policies which provide for non-discriminatory work environments, and safeguarding against harassment and sexual harassment in the workplace. AVANGRID has carried out various projects to support diversity, including the Troops to Energy project, as well as alliances with community based organizations to support its diversity commitment.

AVANGRID’s policy is to recruit, hire, train and promote into all job levels, employees and applicants for employment without regard to race, color, religion, age, gender, gender identity, sexual orientation, national origin, physical or mental disability, marital status, veteran status or any other conditions protected by law.

### TOTAL HOURS OF TRAINING

2014	2015	2016
147,020	164,797	378,919

### AVERAGE HOURS OF TRAINING PER EMPLOYEE

2014	2015	2016
27.56	31.28	56.49



## Health and Safety

AVANGRID uses compliance, competence, risk-based planning, communication and teamwork as strategies to keep its team and communities safe.



### HOW WE MANAGE HEALTH AND SAFETY

AVANGRID is in the process of integrating its many regulated and non-regulated businesses to establish a uniform and consistent approach for managing health and safety. In 2016, it began the process of centralizing health and safety at a group level to leverage synergies and drive consistency. At the foundation, the business is implementing 12 standards that closely align with the OHSAS 18001 management system and perform cross-audits to assess and improve.

Currently 60% of AVANGRID employees work under an OHSAS 18001 registered health and safety management system. All AVANGRID companies have been internally assessed against the 12 global health and safety standards and are slated for registration by the end of 2018.

In addition, the Renewables Pacific Klamath Energy Cogeneration plant has been certified under the Oregon OSHA Voluntary Protection Program since 2011. Klamath Energy is OR-OSHA VPP STAR certified, one of a small number of sites certified in the entire state under this rigorous health and safety certification.

### KEEPING CONTRACTORS SAFE

AVANGRID is in the process of expanding its contractor safety pre-qualification program across its operating companies to ensure we hire contractors with strong safety performance and culture.

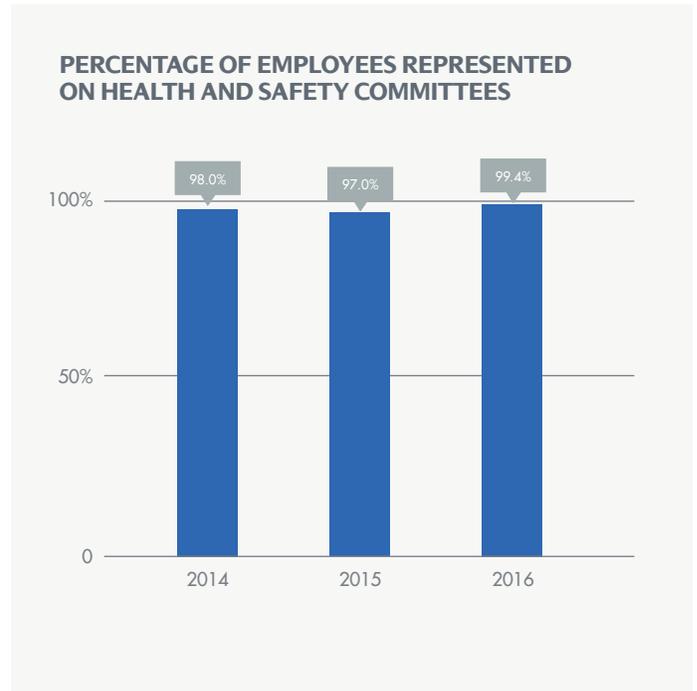
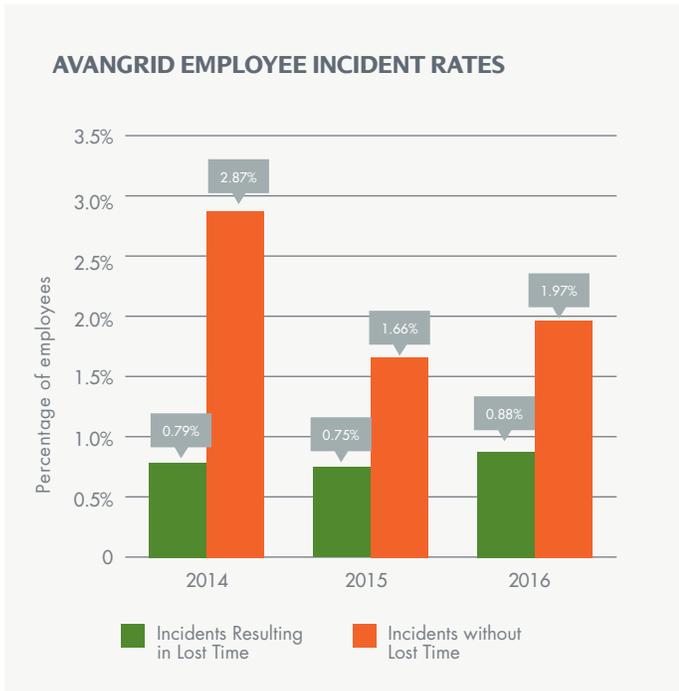
For example, in a growth business like Avangrid Renewables, contractor safety is a critical component in the construction of new wind and solar plants. Contractor management processes start at contractor selection through final project completion and handover. The Avangrid Renewables Engineering & Construction Group has a long successful safety history, and capped off 2016 construction with zero Contractor Lost Time Accidents (LTAs) for the year.

## AVANGRID's global health and safety standards focus on 12 areas:

1. Leadership and Responsibility
2. Health and Safety Organization
3. Risk Management and Control
4. Objectives and Planning
5. Competency, Training and Awareness
6. Communication and Social Dialogue
7. Operational Control
8. Contractor Management
9. Occupational Health
10. Learning from Events
11. Emergency Management
12. Performance Evaluation

# Health and Safety

AVANGRID conducts health and safety inspections, observations and annual health and safety performance reviews to ensure standards are met.



\* Increases in part due to acquisition activity and incorporation of that safety data into the AVANGRID statistics.

#### EMERGENCY CUSTOMER RESPONSE TIMES FOR REPORTED GAS LEAKS

TIME	2014	2015	2016
Within 30 min	92%	90%	91%
Within 45 min	98%	97%	98%
Within 60 min	99%	99%	99%

#### 2016 AWARD

## NGA Excellence in Safety Award

for AVANGRID's Damage Prevention Vehicle Program

#### 2016 SAFETY BY THE NUMBERS

0

Fatalities for both the company and contractors

0

Wind Project Construction Contractor Injuries requiring leave in 2016

16,882

Documented Safety Observations and Compliance Inspections

# Ethics, Integrity and Compliance

AVANGRID has high expectations of adherence to, and adoption of, ethical and social responsibility principles.



## MISSION, VISION AND VALUES

AVANGRID is committed to the Mission, Vision and Values that guide all our activities. AVANGRID creates value in a sustainable way, and is committed to social dividends. Its vision includes a better future, not only for its employees, but the customers it serves and the communities it helps build.

## COMPLIANCE FUNCTION

AVANGRID's compliance function is an independent and permanent area within the business linked to the Audit and Compliance Committee. The Compliance Division oversees regulatory compliance and has powers related to prevention and correction of illegal or fraudulent conduct.

Their main duties include disseminating and ensuring compliance with the Code of Business Conduct and Ethics and other company policies and procedures, fostering a culture of "zero-tolerance" towards improper conduct, wrongful acts, corruption and fraud, and verifying the effectiveness of the company's policies and procedures while suggesting improvements aimed to achieve the highest ethical standards.

The Compliance Division prepares and publishes annual reports on Compliance and Ethics and Separation of Activities. Employees are trained annually on the Code of Business Conduct and Ethics. The training focuses on key areas of ethics and compliance and scenarios that implicate the Code and reinforces the Company's commitment to ethics and compliance with applicable laws and regulations.

For information on AVANGRID's Ethics and Compliance program, visit [www.avangrid.com/CorporateGovernance/complianceprogram.html](http://www.avangrid.com/CorporateGovernance/complianceprogram.html)

## HUMAN RESOURCES

AVANGRID believes that successful employee relations require an appropriate framework of labor relations, processes that promote a consistent corporate culture and equality of opportunities. The company also supports a remuneration system that allows for the attraction and retention of the best professionals while recognizing and valuing family and personal connections without bias or favoritism. AVANGRID appreciates the contribution of all professionals to the company's creation of value and to its growth.

# Ethics, Integrity and Compliance

AVANGRID takes compliance seriously by embracing a culture of proactive education and addressing issues through a robust, fair and transparent process.

**9,462**

Hours that employees spent in human rights courses

**7,417**

Training courses attended by staff across AVANGRID relating to anti-corruption



## OUR PROMISE

AVANGRID ensures its employees are comfortable filing a complaint in any instance where they feel they have been discriminated against due to race, color, age, sex, disability or any other protected status. In 2016, seven employees made such claims. All seven received full consideration and review.



## CYBER SECURITY

On September 29, 2016, AVANGRID was awarded the Phishing Defense Program of the Year from PhishMe, a global provider of phishing defense and intelligence solutions. The program, which conducts internal tests as a way of educating employees about the dangers of “spear phishing,” teaches employees to slow down and think before they click a link. PhishMe praised AVANGRID as having a top-performing defense program that demonstrated superior performance in detection, alerting, reporting, training, participation, and results. Rohyt Belani, a co-founder of PhishMe said that he was “highly encouraged to see the commitment our customers exhibit in protecting their businesses against increasingly sophisticated phishing attacks.”

## Our Communities

AVANGRID actively enriches the communities it serves with donations that support local programs and initiatives.



### COMMUNITY ACCEPTANCE

AVANGRID actively builds and invests in any community it enters, working diligently to gain community acceptance to foster a sense of participation and belonging in every project. This includes striving to understand the culture, listening to responses to AVANGRID's involvement, and taking into account any concerns on behalf of the local people and their businesses.



### CHARITABLE GIVING

Nobody understands a community better than the people that live there. AVANGRID uses a decentralized charitable giving program that awards its local divisions grants to support local causes. Multiple programs received support from AVANGRID in this way, including The American Red Cross, SHARE Heating Fund, Broome County's Habitat for Humanity, Working Cities, and Lifespan. AVANGRID is a proud sponsor of Greentopia, a program that aims to bring the best of sustainability into the High Falls Community in Rochester, New York. The program invites green leaders from around the country to present and includes art projects, workshops, and family-focused activities that highlight green goods and services.



### CORPORATE DONATIONS

AVANGRID also invests in larger charitable initiatives. Past examples include underwriting the installation of solar panels and energy-efficient equipment at an Oregon State Park visitor facility and equipping a community hospital in upstate New York with tablet computers. When an AVANGRID employee's son was diagnosed with sarcoma, AVANGRID felt firsthand the impact of serious illnesses on families. This realization led to the support of Camp Ukandu, a non-profit that brings children diagnosed with a serious illness—and their siblings—together for a week of camping in Mount Hood, Oregon. Participants can enjoy the outdoor experience with the security of qualified medical assistance nearby.

# Our Communities

AVANGRID empowers communities with volunteers and programs that reach out to those in need.



### SUPPORT

AVANGRID participates in many government agreements that help “at risk” and vulnerable customers from losing their power supply. These include the Home Energy Assistance Program, the Electricity Lifeline Program, and the Energy Assistance Program, which offer guidance to residents in Connecticut who need help maintaining service during the winter months. The Avangrid Foundation also gave \$400,000 to Project SHARE Heating Fund—an initiative that reaches New Yorkers who earn less than \$2,244 per month and must choose between utilities and other essentials like food, rent or medicine.



### INTERNATIONAL VOLUNTEER DAY

Every year, AVANGRID employees take one Saturday to give back to the community. In 2016, AVANGRID employees went to local schools, food pantries, educational and therapeutic farms, recreational trails, cancer foundations, nursing homes, animal shelters and scout troops in order to show their appreciation for—and engagement with—the communities they help build.



### COMMUNITY INVESTMENT IN 2016

**\$3,691,920**

In charitable giving directly and through the Avangrid Foundation

**5%**

Of income donated to community causes according to the LBG Model

**98%**

Of materials, equipment, works and services sourced from U.S. suppliers

## Key Performance Indicators

Performance indicators are provided throughout this report. Here is a summary of some of our key data:

ECONOMIC PERFORMANCE			
	UNIT	2016	2015
RESOURCES			
Total assets	\$M	31,309	30,743
Equity	\$M	15,122	15,066
Investments during financial year	\$M	1,923	1,168
RESULTS			
Revenues	\$M	6,018	4,367
Operating expenses	\$M	4,824	3,854
Operating income	\$M	1,194	513
Net income	\$M	630	267
Earnings per share	\$/share	2.04	1.05
Market capitalization (December 30, 2016)	\$M	11,705	11,866
Stock price (December 30, 2016)	\$	37.88	38.4

ENVIRONMENTAL PERFORMANCE			
	UNIT	2016	2015
RESOURCES			
Installed capacity	MW	6,875	6,458
Total net production	GWh	17,912	17,418
PROCESSES AND OPERATIONS			
Fuel consumption	k tep	487	523
Production with local sources of energy	%	86	84
Water consumption/Overall production	m <sup>3</sup> /GWh	7.8	7.1
Waste recovered and reused	%	68	21
RESULTS			
Emissions-free installed capacity	%	87.7	90.0
Emission-free production	%	85.6	84.0
Specific CO <sub>2</sub> emissions	t/GWh	58	63
Specific SO <sub>2</sub> emissions	t/GWh	0.0003	0.0003
Specific NOX emissions	t/GWh	0.0084	0.0083
Specific particulate emissions	t/GWh	0.0009	0.0010
Hazardous waste per electricity generated	t/GWh	0.0860	0.0340
Energy produced under certified environmental management systems	%	15.2	16.8
CO <sub>2</sub> avoided due to efficiency initiatives	kt	6,727	7,334
Direct CO <sub>2</sub> emissions, Scope 1	kt	1,120	1,184
Indirect CO <sub>2</sub> emissions, Scope 2	kt	88	32
Other indirect CO <sub>2</sub> emissions, Scope 3	kt	9,222	6,957

M = Million

k = Thousands

# Key Performance Indicators

Performance indicators are provided throughout this report. Here is a summary of some of our key data:

SOCIAL PERFORMANCE			
	UNIT	2016	2015
<b>RESOURCES</b>			
Number of employees		6,801	6,809
Customers	M	3.21	3.19
• Electricity	M	2.22	2.21
• Gas	M	0.99	0.98
Volume of purchases	\$M	2,376	1,246
Social development funds	\$M	3.9	2.1
• Community contributions	\$M	3.9	2.1
R&D	\$M	31.2	24.4
<b>PROCESSES AND OPERATIONS</b>			
Full-time contracts	%	99.8	99.7
Employees with collective bargaining agreement	%	47	46
Hours of training	M	0.4	0.2
Hours of training per employee	h	56	31
Trained people		6,713	5,269
<b>RESULTS</b>			
<b>Employment, health and job safety</b>			
Average age of workforce	age	47	47
Average years of service of workforce	years	15	15
Male/female diversity	%	71/29	70/30
Ratio of basic initial salary to local minimum wage salary	%	190	194
Recordable Incident Rate	RIR*	2.85	2.41
Lost Time Incident Rate	LTIR**	0.88	0.75
Occupational disease rate (ODR)		0.00	0.00
Absentee rate	AR***	4,470	4,648
Employee turnover	%	6.8	8.7
<b>Quality of service and customer service</b>			
Total amount of fines relating to the environment	\$M	0.027	0.000
Fines imposed for distribution and retail sale of electricity and gas	\$M	0.003	0.006
<b>Quality of supply chain</b>			
<b>Sustainable management of the supply chain</b>			
Purchases from U.S. suppliers	%	98	98

\*RIR = Number of OSHA Recordable Incidents \* 200,000/Total Work Hours

\*\*LTIR = Number of OSHA Lost Time Incidents \* 200,000/Total Work Hours

\*\*\*AR = Number of Sick Instances \* 200,000/Total Days Work

M = Million

k = Thousands

**For more information visit [www.Avangrid.com](http://www.Avangrid.com)**

## **FORWARD LOOKING STATEMENTS**

Certain statements contained herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terms such as "may," "will," "should," "can," "expects," "believes," "anticipates," "intends," "plans," "estimates," "projects," "assumes," "would," "is confident that" and "seeks" or the negative of such terms or other variations on such terms or comparable terminology. Such forward-looking statements include, but are not limited to, statements about the plans, objectives and intentions, outlooks or expectations with respect to the FERC order and any rehearing or appeal thereof, related proceedings and the impact of such legal and regulatory matters on our business, results of operations or financial condition. Such statements are based upon the current beliefs and expectations of our management and are subject to significant risks and uncertainties that could cause actual outcomes and results to differ materially. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, without limitation, the risks and uncertainties set forth under the section entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2016, which is on file with the Securities and Exchange Commission (SEC) and available on our investor relations website at [www.avangrid.com](http://www.avangrid.com) and on the SEC website at [www.sec.gov](http://www.sec.gov). Additional information will also be set forth in subsequent filings with the SEC. You should consider these factors carefully in evaluating forward looking statements. Should one or more of these risks or uncertainties materialize, or should any of the underlying assumptions prove incorrect, actual results may vary in material respects from those expressed or implied by these forward-looking statements. You should not place undue reliance on these forward-looking statements. We do not undertake any obligation to update or revise any forward-looking statements to reflect events or circumstances after the date of this presentation whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

