



# Introduction to the Governance and Sustainability System



## 1. The Identity of Iberdrola Energía España

1. Iberdrola Energía España, S.A.U. is the parent company of the marketing business both in Spain and abroad, which groups together the holdings of the investee companies, directly or indirectly, which carry out deregulated electricity marketing activities, conducting the wholesale and retail marketing of electricity and natural gas both in Spain and abroad, in strict compliance with the regulations on the separation of regulated activities in all jurisdictions in which it is present.

Where the Governance and Sustainability System refers to Iberdrola Energía España, S.A.U., to the “**Company**” or the “**Firm**”, it does so to **this** company that is taken into account individually.

2. “Iberdrola, S.A.” is the parent company of a group of leading companies in the production, transmission, distribution and supply of electricity in different geographical areas. This is a company that has its registered office in Bizkaia, with an international scope, which is independent and listed on the stock market and participates in the capital of companies.
3. The origin of the different companies of which Iberdrola, S.A. or the various companies in which it has ownership interests, has a long history, starting on both sides of the Atlantic. It dates back to 1840 in the United States of America - with the incorporation of the “Hartford City Light Co”, responsible for lighting cities with gas - and to 1901, on the other side, in Spain and the United Kingdom, when “Hidroeléctrica Ibérica, S.A.” was founded. in Bilbao, in order to meet the growing demand for electricity in the main industrial regions of northern Spain, and “Clyde Valley Electrical Power Co.” in Glasgow, to generate and sell electricity to engineering companies in the area.
4. The companies that are part of Iberdrola Group focus their activities on the energy sector, an essential commodity for millions of users and customers, through the use of environmentally-friendly energy sources and technologies and promoting digital transformation.
5. The development of the Company’s corporate purpose and all of its corporate action is aimed at achieving a purpose and values, which make up the corporate ideology and identity underpinning the group of companies that make up the Iberdrola group, its *reason and way of being*.

The purpose of the Iberdrola Group, adopted by the Company, its *reason for being*, is to “continue building a more electric, healthy, and accessible energy model together every day”, which contributes to the Sustainable Development Goals (SDGs) approved by the United Nations (UN) (especially those relating to universal access to electricity, the supply of affordable and clean energy and climate action), protects and responds to the most demanding standards and requirements in terms of environmental protection, social commitment, and good governance (“**ESG**”), within the general framework of respect and protection of human rights, the social market economy and the ethical principles generally accepted in its sphere of action.

Its corporate values which distinguish *the way it functions* are summarised as “*sustainable energy*”, “*integrating force*”, and “*driving force*”, fundamental notions, orientations and guidelines which, together with the purpose described above, constitute the ideological and axiological basis of the Company and of its business enterprise.

6. By adopting the aforementioned *purpose* and values, as part of the Iberdrola group, the Company consolidates itself as one whose purpose is not limited to the achievement of economic benefits, but rather, is guided by its own *raison d’être* and through the pursuit of its corporate purpose, aspiring to the creation of sustainable business value, the achievement of results and benefits that are broader than simply financial ones which can remunerate the capital contributors as well as all other stakeholders and the communities in which it is present, and which carries out its activity by means of the so-called *social dividend*, which its *By-Laws legitimise*.
7. With this projection, the Company shares Iberdrola, S.A.’s corporate interest focused on creating shared sustainable value, in accordance with and in line with its purpose and distinctive values and the commitments undertaken in its *Code of ethics* based on them.

Similarly, the Company does not view its Stakeholders as third parties separate to its identity, as they are necessary for the performance of its business enterprise as members of an *integrated company* that *are effectively* part of all of them, to which it is open and bound, and which it shares the generated value *with through* the *social dividend*.



- Both because of its size and significance and because of the basic and essential nature of the energy it produces and distributes for the economy and for society, the business activities and the scope and dimension of the *Purpose and Values of the Iberdrola Group* are not exhausted, not even within the broad framework of its Stakeholders as a whole, but rather they transcend and extend to the countries and territories in which it is present and in which it carries out its activities.

From this perspective, the Company recognises and reaffirms its vocation as an actor and driving force, to assume, in compliance with its purpose and values, the leadership that corresponds to it in the creation of a balanced and advanced society, in the collective effort to achieve its global and sustainable development and progress.

- The Company's identity is also based on its own internal rules, which are configured around three main vectors: environmental performance and reaction to climate change, social commitment and the application of best corporate governance practices. Corporate governance acts as an instrument of organisation for all of its members to achieve its purpose and the corporate interest and social dividend, as well as to materialise its values and to guarantee its enterprise, identity and independence.
- In sum, the Company aspires to be an institutional company that enriches its purely corporate and private dimension, that is open and committed to its stakeholders and the communities in which it is present, and that adds the material legitimacy conferred by the plural and comprehensive business action (economic, social, environmental and governance) that it undertakes and carries out to its formal legitimacy.

## 2. The corporate and governance structure of the Iberdrola Group

- Iberdrola, S.A., and the companies integrating the group are present in Spain, Portugal, other EU member States, the United Kingdom, the United States of America, Australia, Mexico and Brazil, amongst other countries.
- The so-called Iberdrola Group does not have legal personality on its own other than the legal personality of each of the companies referred to. Therefore, it does not have its own management bodies or positions.

When the Governance and Sustainability System mentions "**Iberdrola**", the "**Iberdrola Group**" or the "**Group**," it means the Company and the companies that make up the group, the parent entity of which is, within the meaning of the law, the Company, operating autonomously under a common purpose and common values, in a coordinated manner and on a corporate and governance structure designed on three levels (holding company, subholding companies and head of business companies, as detailed below) for the best development of the corporate purpose and the achievement of the corporate interest of each of the companies that make up the group.

- Regarding the corporate organization of the Iberdrola Group, Iberdrola, S.A. is configured as a *holding* entity and acts as the holder of the shareholdings of the Company and the other *subholding* companies – established in the territories in which the various subsidiaries operate - which in turn group together the shareholdings in the head of business companies. The governance model is governed by principles that differentiate between the functions of strategy, supervision, organization and coordination (attributed to the holding company), with the latter three functions being strengthened in relation to the territories or countries or to the businesses through the subholding companies, and those of ordinary management and effective management of each business (responsibility of the head of business companies).
- Said corporate and governance structure of the companies that are part of Iberdrola operates jointly with a business model, which enables global integration of the businesses, seeks to achieve maximum operational efficiency of the various units and ensures dissemination, implementation and monitoring of the general strategy, the basic management guidelines established for each of them and best practices.

The business model combines a decentralised decision-making structure that is inspired by the principle of "subsidiarity," with robust coordination mechanisms that ensure global integration of the Group's businesses, above all based on an effective checks-and-balances system, which prevents management power from being concentrated within a single governance body or a single person.

## 3. The Governance and sustainability system and the Compliance system

- Iberdrola Energía España's Governance and sustainability system constitutes the internal regulatory framework for the Company, established, within exercise of the corporate autonomy that the law supports, to ensure that its purpose and values are materialised through its rules and that its business aims and goals are achieved.

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16. These internal regulations are made up of a set of rules approved by the Company's governing bodies, as well as another set of rules with projection over the Iberdrola group that are approved either by the Board of Directors of Iberdrola, S.A. in the exercise of its duties as a *holding company* for the approval and definition of the organisational model of the Iberdrola group, and have been approved by Iberdrola España's Board of *Directors*, as a *subholding* company, adapted to the Company, as head of business company within the Group's corporate and governance structure, incorporating them into its own Governance and Sustainability System, which stands as the regulatory framework that supports and ensures its purpose and development.

The Governance and Sustainability System, which is approved by the holding company of the Group, Iberdrola S.A., is projected onto the other companies of the Group, to the extent that the various applicable policies and the successive amendments thereto are formally adopted as their own by the *subholding* and head of business companies, or these approve their own policies with a content consistent with that of the Company's policies. This ensures that the internal organisation of all the companies that make up the Group is consistent, while respecting the autonomy of the management bodies and, in particular, the special framework of enhanced autonomy of listed *subholding* companies.

In addition, Iberdrola, S.A. has a Compliance System, the purpose of which is to ensure the Company's conduct in accordance with ethical principles, legality and internal regulations, in particular, the Governance and Sustainability System, to contribute to the full realisation of the *Purpose and Values of the Iberdrola Group* and the social interest, as well as preventing, managing and mitigating the risk of regulatory and ethical breaches, which may be committed by directors, professionals or suppliers within the organisation. The Company's Compliance Unit proactively and autonomously oversees the implementation and effectiveness of its Compliance System, which is under continuous review to incorporate the most advanced international practices and new requirements in this area.

In turn, the *subholding* and the head of business companies, as is the case of Iberdrola Energía España, have their own compliance systems, the application and effectiveness of which is the responsibility of their respective compliance units to monitor proactively and autonomously, without prejudice to the appropriate coordination carried out at all levels of the Group.

17. The Governance and Sustainability System is based on the *By-Laws*, a rule approved by Iberdrola España, S.A.U, in its capacity as the Sole Shareholder of the Company, which represents the maximum expression of Iberdrola Energía España's corporate autonomy and is the primary source of its internal regulations.

The *By-Laws* and particularly the preliminary title thereof, expand the usual content of these corporate rules and contain the purpose and values, the , definition of the Company's project, the specific concept of the corporate interest focused on creating shared sustainable value, the commitment to the social dividend and engagement with stakeholders, as well as determining the essential bases and the most important foundations and aspects of its corporate organisation; this means that ultimately they outline the master lines that define the fundamental features of the identity and uniqueness of the Company and of its business project.

18. The *By-Laws* are based on, and should be interpreted in accordance with, the provisions of the *Purpose and Values of the Iberdrola Group*, which reports the orientation and organisation, guides the strategy and presides over the activity of all the companies that it comprises, as well as their initiatives and decisions.
19. The *Purpose and Values of the Iberdrola Group* are also the basis of the *Code of Ethics*, which develops and specifies its content and is applicable to the directors, professionals and suppliers of Iberdrola, S.A, and the other companies that are part of Iberdrola. It aims to promote a culture based on ethics and commitment to sustainable development, shared by all the agents participating in the Iberdrola group's value creation chain.
20. As a regulatory instrument, the corporate policies are characterised by their function of linking and solidifying ideas and values into modes, patterns and standards of conduct, rationalising management decisions in various areas and on various issues that so require due to the nature thereof. To that same extent, they entail a positive limitation of the necessary discretion that the directors and professionals of the Company and of the other companies in the Iberdrola Group must have in the performance of their duties. As a result of this, they define secure guidelines for conduct, which, if adhered to, can lead to the *prima facie* presumption of conformance and suitability of the corresponding actions to the Company's purpose, values and corporate interest, to the materialisation and fulfilment of which they contribute.



21. Consistent with the *Purpose and values of the Iberdrola group* and the resulting commitment to contributing to the achievement of the Sustainable Development Goals (SDGs), approved by the United Nations (UN) and **ESG**” (*Environmental, Social and Governance*), requirements, the Iberdrola, S.A.’s Governance and Sustainability System differentiates, with respect to corporate policies, those that may be called general or key policies (such as the *General Sustainable Development Policy* and the *Stakeholder Relations Policy*) and those of a more specific or particular nature.
22. Environmental policies, aligned with the goals and the path established by the Paris Agreement and the United Nations 2030 Agenda for Sustainable Development, constitute Iberdrola’s response to environmental challenges such as climate change and biodiversity loss, while helping to identify and take advantage of the opportunities arising from the energy and ecological transition. In line with the *Purpose and Values of the Iberdrola Group* and its sustainable development strategy, they reflect the Company’s commitment to combating climate change, to green recovery and to the environment in all its other manifestations, while seeking to generate value for its customers, shareholders and its other stakeholders.
23. Along these lines, the policies regarding its social commitment reflect the link of the Company and the other Iberdrola companies to human rights, the development of professional relationships based on diversity, inclusion and a sense of belonging, which are essential for promoting equal opportunity and ensuring non-discrimination in managing people, all within the framework of the Company’s sustainable development strategy.
24. Furthermore, the Company’s internal corporate governance and compliance policies and rules, which incorporate the best practices in these matters and position the Company as a benchmark in the aforementioned areas and which are grouped into three categories, are of special relevance in the internal organisation of the Company: (i) corporate governance and regulatory compliance policies; (ii) risk policies; and (iii) rules on governance of the corporate decision-making bodies and other internal functions.
25. The corporate governance and regulatory compliance policies define, within the framework of the law and the *By-Laws*, the guidelines and guidelines for action in which the *Purpose and Values of the Iberdrola Group* and its sustainable development strategy take shape and which guide the conduct of the shareholders, directors and professionals of the Company and the other Iberdrola companies. These policies, inspired by the business and ethical ideas, principles and values making up the Company’s ideological and axiological foundation, contain the detailed guidelines and directives on conduct ensuring that the Group’s strategy is consistent therewith, favouring the strengthening and enrichment of the reality and identity of the Iberdrola Group and the communities within which it operates. They also reflect the Company’s firm commitment to the Purpose and Values of the Iberdrola Group, to ethical principles, and to the ongoing monitoring and punishment of irregular conduct and unlawful acts or acts contrary to the law or to the Governance and Sustainability System.
26. The purpose of the risk policies is to establish the basic principles and general framework for controlling and managing all kinds of risks the Company is vulnerable to, particularly including corporate risks and the specific risks of the various businesses.
27. The rules of governance of corporate bodies and other internal functions comprise the regulations and procedures that establish, among other aspects, the composition, competencies and operating regime of the company’s main decision-making and management structures, as well as the duties and obligations of their members.
28. Consistent with the structure described above, the Governance and Sustainability System is formally organised into five books: (i) Book One, which contains the *By-Laws*; (ii) Book Two, referring to the Corporate Purpose, *which includes the Iberdrola Group Purpose and Values, the Code of Ethics, the General Sustainable Development Policy and the Stakeholder Engagement Policy*; (iii) Book Three, on the environment and climate action, which groups together the environmental policies; (iv) Book Four, referring to social commitment, which contains the social policies; and (v) Book Five, on corporate governance, which contains the corporate governance and regulatory compliance policies, innovation and transformation policies, risk policies, rules on governance of the corporate decision-making bodies and other internal functions.
29. For its Governance and Sustainability System, the Company aspires to enjoy the highest possible levels of compliance and dissemination, with particular emphasis on harnessing the most advanced and environmentally-friendly technologies and on the principles of regulatory transparency. Therefore, the full text and a summary of the documents it is made up of are available in Spanish and English on the Company’s corporate website ([www.iberdrolaenergiaespana.es](http://www.iberdrolaenergiaespana.es)).



30. The Governance and Sustainability System is subject to a process of continuous review to ensure that it is always suitable and conforms to the facts and circumstances for which it is needed and includes the best practices in this area.

Bilbao, 9 April 2024.

The Board of Directors of Iberdrola Energía España S.A.