



# Introduction to the Governance and Sustainability System



## 1. The Identity of Iberdrola Energía Sostenible España, S.L.U. and of the Iberdrola Group

1. Iberdrola Energía Sostenible España, S.L.U. (the “**Company**”) is the head of business company of the Iberdrola Group in Spain that carries out the deregulated activities of generation and selling of power obtained from sustainable energy sources..

Where the Governance and Sustainability System refers to Iberdrola Energía Sostenible España, S.L.U., or to the “Company”, 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. It is a company with registered office in Bizkaia, with international scope, which is independent and listed on the stock market and participates in the capital of companies.
3. The origin of the various companies owned by Iberdrola, S.A. or the various companies in which it holds an interest, 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 “Hartford City Light Co”, which was in charge of lighting cities by gaslight, and to 1901, on the other side, in Spain and the United Kingdom, with the founding of “Hidroeléctrica Ibérica, S.A.” in Bilbao, in order to meet the growing demand for electricity power in the main industrial regions in the north of 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 object and all its business activity is focused on the achievement of a purpose and certain values, which make up the corporate ideology and identity sustaining the group of companies that make up the Iberdrola group, its reason and way of being.

The purpose of the companies of Iberdrola Group, adopted by the Company, and which constitutes its *raison d’être*, is to continue building together each day a healthier, more accessible energy model, based on electricity, which contributes to the Sustainable Development Goals (SDGs) approved by the United Nations (especially those relating to universal access to electricity, the supply of affordable and clean energy and the climate action) and 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 summarized 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. Through manifesting its purpose and the practical application of its values, the Company, 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 which carries out its activity by means of the so-called social dividend, which its By-Laws legitimize.
7. With this projection, the Company shares with Iberdrola, S.A. the corporate interest focused on creating shared sustainable value through its activities, always in accordance with its purpose and distinctive values and with the commitments made in its *Code of Ethics* and with all that they entail.

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.

8. 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

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whole, but rather they transcend and extend to the communities and society as a whole in which it is present and in which it carries out its activities.

From this perspective, the Company recognizes 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.

9. The Company's identity is also based on its own internal rules, which are developed around three main vectors: environmental and anti-climate-change performance, social commitment and the application of best corporate governance practices. Corporate governance acts as an instrument of organization 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.
10. 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 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

11. Iberdrola, S.A. and the companies making up Iberdrola Group are present in Spain, Portugal, other EU member States, the United Kingdom, the United States of America, Australia, Mexico and Brazil, among other countries.
12. The Iberdrola Group does not have its own legal personality separate from that of each of the companies that comprise it, nor does it have its own management bodies or positions.

References in the Governance and Sustainability System to "Iberdrola" or to the "Iberdrola Group" or to the "Group" refer to IBERDROLA, S.A. and to the companies belonging to the group of which IBERDROLA, S.A. is the controlling entity, within the meaning established by law, which operate autonomously under a common purpose and values, in a coordinated manner and within a corporate and governance structure designed on three levels to best further the corporate object and the achievement of the corporate interest of each of the companies that comprise it.

13. As regards the corporate organization of the Iberdrola Group, IBERDROLA, S.A. is a holding company owing the equity stakes of the subholding companies - established in the territories in which the various subsidiaries operate - which in turn group together the equity stakes in the head of business companies, such as the Company. The governance model is governed by certain principles that differentiate the functions of strategy, supervision, organization and coordination (attributed to the holding company), strengthening these three latter functions in relation to the territories or countries or to the businesses (through the subholding companies), and those of day-to-day administration and effective management of each business (the purview of the head of business companies).
14. Said corporate and governance structure of the companies that are part of Iberdrola operates jointly with the 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.

This 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 businesses developed by the companies making up Iberdrola, 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 of Iberdrola Energía Sostenible España, S.L.U.

15. Iberdrola Energía Sostenible España, S.L.U. 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. This internal regulatory framework consists of a set of proprietary standards approved by the Company's governing bodies, as well as another set of standards that cover the Iberdrola Group, approved by Iberdrola's Board of Directors in its condition of holding company, or by the Board of Iberdrola España, S.A.U. in its condition of subholding company and which are adopted by the Company and thus incorporated into its Governance and Sustainability System.
17. Additionally, the Company has a Compliance System which is intended to ensure that the Company acts in accordance with ethical principles, the law, and internal rules, particularly the Governance and Sustainability System, to contribute to the full realisation of the Purpose and Values of the Iberdrola Group and the corporate interest, and to prevent, manage and mitigate the risk of regulatory and ethical breaches that may be committed by the directors, professionals or suppliers thereof 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 in order to adopt the most advanced international practices and new requirements in this area.

IBERDROLA, S.A., subholding companies and remaining head of business companies have their own Compliance Systems, which, the application and effectiveness of which must be proactively and autonomously monitored by their respective compliance units, without prejudice to the appropriate coordination carried out at all levels of the Group

18. The Governance and Sustainability System is based on the *Articles of Association*, approved by Iberdrola España, S.A. in its condition as sole shareholder, which represents the highest expression of Company's corporate autonomy and which constitutes the primary source of its internal regulatory system.

The *Articles of Association* and particularly the preliminary title thereof, expand the usual content of these corporate rules and contain the purpose, the definition of the corporate enterprise, the specific concept of the corporate interest focused on creating shared sustainable value, the commitment to the social dividend and engagement with stakeholders and determining the essential bases and of the most significant 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 Iberdrola group and of its business enterprise.

19. The *Articles of Association* are based on and should be interpreted in accordance with the provisions of the *Purpose and Values of the Iberdrola Group*, which reports its orientation to the organisation, guides its strategy and presides over the activity of all the companies that it comprises, as well as their initiatives and decisions.
20. The *Purpose and Values of the Iberdrola Group* are also the basis for the *Code of Ethics*, which further develops and provides concrete shape to the text thereof, is applicable to the directors, professionals and suppliers of Iberdrola, S.A. and the other companies comprising Iberdrola and seeks to foster a culture based on ethics and on a commitment to sustainable development, shared by all those participating in the Group's value creation chain.
21. 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.
22. Consistent with the Purpose and values of the Iberdrola Group and its 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 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.
23. 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.

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24. Along these lines, the policies regarding its social commitment reflect the link of the Company and remaining companies of Iberdrola Group 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.
25. In addition, of particular significance in the Company's internal rules and regulations are the corporate governance and compliance policies and rules which incorporate best practices in these areas and position the Company at the forefront, thereof, fall into three categories: (i) corporate governance and regulatory compliance policies; (ii) risk policies; (iii) rules on governance of the corporate decision-making bodies and of other internal functions.
26. Within the framework of the law and the ethical principles, the corporate governance and regulatory compliance policies define the directives and guidelines for conduct 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 remaining companies of Iberdrola Group. 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 countries and territories 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 penalisation of improper conduct and acts that are illegal or contrary to law or to the Governance and Sustainability System.
27. In turn the purpose of the risk policies is to establish the basic principles and general framework for controlling and managing the risks that the Company and different companies of Iberdrola Group are vulnerable to, especially including corporate risks and the specific risks of the various businesses.
28. The governance rules of the corporate decision-making bodies and of other internal functions include regulations, codes and procedures that establish, among other things, the composition, powers and rules of operation thereof, as well as the duties and obligations of their members.
29. Consistent with the structure described above, the Governance and Sustainability System is formally organised into five books: (i) Book One, which contains the *Articles of Association*; (ii) Book Two, referring to the Corporate Purpose, which includes the *Purpose and Values of the Iberdrola Group*, 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, risk policies, rules on governance of the corporate decision-making bodies.
30. 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 (<https://www.iberdrolaenergiasostenible.es/gobierno-corporativo>).
31. 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.

In Bilbao, on 7 February, 2024.

The Board of Directors of Iberdrola Energía Sostenible España, S.L.U.