

GOVERNANCE AND SUSTAINABILITY SYSTEM INTRODUCTION TO CHAPTER FIVE - CORPORATE GOVERNANCE

1. The Governance and the Sustainability System constitutes the internal regulatory framework for the Company. It is autonomously established by the Company as its own set of rules defining its purpose and values against which its business strategies and goals are to be set.
2. The Iberdrola Group's corporate policies, as adopted by the Company into its Governance and Sustainability System characteristically aim to consistently and clearly connect the relevant themes in the stated purpose and values to the appropriate action guidelines and criteria prescribed in relation to matters that are identified as generally or specifically important to the decision-making and management of the Company.
3. The corporate policies therefore delineate the amount of discretion that Iberdrola Group directors and employees may exercise in the performance of their duties, i.e. within a framework of respect and observance of human rights, the contribution to the achievement of the United Nations' Sustainable Development Goals (**SDGs**), compliance with Environment, Social and Governance (**ESG**) requirements, goals established by the Paris Agreement and the United Nations' 2030 Agenda for Sustainable Development. It is implicit that any action taken in adherence to these will carry a *prima facie* assumption of suitability and approval pursuant to the *Purpose and values of the Iberdrola Group* and Iberdrola's corporate interest since they are defined to contribute to and fulfil the same aims.
4. In light of the corporate structure and organisation of the Iberdrola Group, its international size and reach in terms of its production, distribution and supply of energy, and the essential nature of the same for the economy and society in general, and the purpose and values defined around them, and given the importance to the consistent internal organisation of the companies of the Group, the corporate governance and compliance policies and rules that apply to the corporate decision-making bodies within the Group, are accordingly designed to give effect to the *Purpose and values of the Iberdrola Group* by aligning those bodies to the sustainability goals defined in those *Purpose and values*.
5. The decisions on strategy and supervision, on administration and management and the development of the business of the Company and of the other companies of its Group thus serve to achieve their goals in the most efficient manner.
6. The policies and rules contained in this chapter five of the Company's Governance and Sustainability System are structured into three categories: (i) corporate governance and regulatory compliance policies; (ii) risk policies; and (iii) rules on governance of the corporate decision-making bodies and of other functions and internal committees.
7. The corporate governance and regulatory compliance policies, which are part of the Iberdrola Group's global sustainable development strategy, play a critical role in its internal organisation and the intended performance of its activities. These policies do not solely provide for corporate structural considerations regarding the Company's position as a sub-holding of a multinational group of companies in which functions of strategy/supervision/group control are critically distinguished from day-to-day administration/management); they are also intended to take into account the Company's integral and inclusive commitment to all of its stakeholders, including shareholders, directors and employees, and in observance of the unconditional legal and ethical framework within which it conducts itself.
8. The Risk policies are those which provide for appropriate preventative and mitigatory actions in connection with all risks which affect the Iberdrola Group's broad scope of business. They are consequently well-developed to cover a wide range of issues, actions, and definitive criteria regarding a broad range of risks, e.g. corporate risks, business risks including financial risks, security risks and reputational risks, etc.
9. The governance rules of the corporate decision-making bodies and of other internal functions establish the rules of operation of the main corporate decision-making bodies of the Company and its Group, in accordance with its status and structuring as a sub-holding company. In terms of the Company's position within the wider corporate structure of the Iberdrola Group (as further described in the *Terms of Reference of the Board of Directors of the Company*), and taking into account the underlying requirement to comply with and implement the *Purpose and Values of the Iberdrola Group*, these rules regulate and provide for the correct operation of the Company, and its internal governance bodies (including the Board of Directors) and committees. They define the establishment, composition, organisation, powers and operating guidelines of

those bodies, amongst other things, as well as the powers, duties and obligations of their members amongst other things.

10. In terms of its own conduct as well as that of connected and interested persons, the Company is formally expected to be consistent with and conform to not only all applicable legal and regulatory requirements, but also, the whole body of its own Governance and Sustainability System (as approved, adopted and amended from time to time) which assumes within it the best practices generally accepted in international markets in the areas of good governance and transparency.
11. The corporate governance, regulatory compliance and risk policies, as well as the other rules on governance of the corporate bodies and other functions are binding, insofar as applicable, on those corporate bodies and other internal committees of the Company, its directors, its employees, and, in general, all other persons connected to them or, as the case may be, those who act for or interact with the Company.
12. The ideas, values and principles in these guidelines or protocols for conduct are subject to ongoing updates to adapt them to the ever-changing circumstances in which the Company and its Group operates as an established business. Accordingly, like the other parts of the Governance and Sustainability System, the policies and rules contained in this Chapter Five are subject to a continuous process of review adaptation and improvement in the context of the environment in which the Company and the Iberdrola Group carry out their business, applicable law and best practices.

In Glasgow, on 15 September 2021

The Board of Directors