



Climate Action Policy



19 April 2021

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The Board of Directors of IBERDROLA, S.A. (the “**Company**”) has the power to design, assess and continuously revise the Governance and Sustainability System, and specifically to approve and update the corporate policies, which contain the guidelines governing the conduct of the Company and of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “**Group**”).

In fulfilling these responsibilities, and aware of its commitment to the environment generally and to the fight against climate change particularly, the Board of Directors hereby approves this *Climate Action Policy* (the “**Policy**”) pursuant to the provisions of the *Purpose and Values of the Iberdrola group*.

1. Purpose

The *Policy* is intended to establish a framework for articulating the Group’s strategy and business model in a manner consistent with its commitment to the fight against climate change.

Climate change is one of the most significant challenges currently facing humanity. Anthropogenic emissions of greenhouse gases, mainly from the use of fossil fuels, and the use of land have accelerated global warming in recent decades, the consequences of which are already visible. At the global level, efforts are aimed at keeping the global temperature increase for the remainder of the century below 2°C compared to pre-industrial levels and to continue efforts to further limit the temperature increase to as close to 1.5°C as possible.

The Group has included environmental performance and the fight against climate change as one of the cornerstones of its Governance and Sustainability System, which is inspired by the highest standards in climate governance. In this respect, the Group is aware of the contribution of its business activities to climate objectives, as well as of the need to have appropriate capacities and mechanisms in place in the area of adaptation to climate change.

Therefore, the Group undertakes to continue: (i) assuming a leadership role in the fight against climate change, directly and through the establishment of partnerships with other players; (ii) promoting a social culture aimed at raising awareness among all its Stakeholders of the magnitude of this challenge and the benefits associated with successfully responding to it, considering the impact of this phenomenon on the Group’s activities; and (iii) actively and decisively contributing to a carbon-neutral and sustainable future, minimising the environmental impact of all its activities and promoting the adoption of all actions available to the Group for this purpose, an effort that must be compatible with the achievement of the corporate interest. The Group shall also continue analysing and identifying specific actions in the fight against climate change that allow for detecting and exploiting the opportunities that might arise from a decarbonised and more electrified economy and also increase the ability to adapt, strengthen resiliency and reduce vulnerability to climate change in accordance with the goal established in the Paris Agreement. The Group’s commitment to leadership is aligned with the achievement of the objectives of the Paris Agreement and the Sustainable Development Goals (SDGs) approved by the United Nations (especially numbers seven and thirteen).

2. Scope of Application

This *Policy* applies to all companies of the Group, as well as to all investees not belonging to the Group over which the Company has effective control, within the limits established by law.

Without prejudice to the provisions of the preceding paragraph, listed country subholding companies and their subsidiaries, based on their own special framework of strengthened autonomy, may establish an equivalent policy, which must be in accord with the principles set forth in this *Policy* and in the other environmental, social and corporate governance and regulatory compliance policies of the Governance and Sustainability System.

At those companies in which the Company has an interest and to which this *Policy* does not apply, the Company will promote, through its representatives on the boards of directors of such companies, the alignment of their own policies with those of the Company.

This *Policy* shall also apply, to the extent relevant, to the joint ventures, temporary joint ventures (*uniones temporales de empresas*) and other equivalent associations, if the Company assumes the management thereof.

3. Main Principles of Conduct

To implement its commitment to climate action, the Group shall be guided by the following main principles of conduct, which shall be gradually applied in all its activities and businesses:

- a. set and review short-, medium- and long-term emission mitigation targets in line with the Paris Agreement targets and subsequent updates deriving from climate change science, and bring the intensity of global direct emissions below 50 g CO₂ per kWh generated by 2030, with the goal of achieving carbon neutrality by 2050;
- b. integrate climate change into internal strategic planning and decision-making processes, as well as into the analysis, management and reporting of long-term risks, taking into account the recommendations of the *Task Force on Climate-related Financial Disclosure* (TCFD) and other leading organisations regarding climate governance and the reporting of climate risks and opportunities;
- c. promote innovation in more efficient and less greenhouse gas-intensive technologies and gradually introduce them in the Group’s facilities;
- d. involve all Stakeholders in a regular update of the Climate Action Plan through two-way communication based on the creation of sustainable value for all of them, in accordance with the provisions of the *Stakeholder Engagement Policy*, in order to develop a strategy for a fair transition of the energy model;

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- e. include the implementation of the climate action plan among the parameters that may be considered in the Company' remuneration systems;
- f. contribute to raising awareness in society at large about the phenomenon of climate change, its consequences and solutions, as well as the need to act quickly, through actions focused on generating knowledge and mobilising and promoting climate action, given that it is a threat to people and communities, all in line with the Group's commitment to respect the right of all communities to the environment, as set out in the *Policy on Respect for Human Rights*;
- g. promote internal awareness and training for the Group's professionals as well as for subcontracted personnel regarding climate change;
- h. promote suppliers' awareness of climate change and encourage them to adopt practices consistent with those of the Company in this area, and particularly with regard to reducing their carbon footprint;
- i. publicly support and lead the main milestones of the global climate agenda and multilateral processes on climate change, adopting positions consistent with the Company's objectives and with the environmental policies of the Governance and Sustainability System in those jurisdictions in which the Group has a presence;
- j. encourage the participation of the private sector in the global climate agenda in order to meet the objectives of the Paris Agreement, and particularly the goal of maintaining the global average temperature of the planet, as well as introduce a more ambitious dynamic in terms of both the implementation of the agreement and the update of the commitments made by the parties;
- k. have an environmental management system (EMS) of the Group, which allows for evaluating, analysing, managing and reducing environmental risks, as well as improving the management of resources and optimising investments and costs, and which incorporates all relevant climate variables;
- l. actively foment a culture that promotes the efficient and responsible use of energy and encourages behaviours supporting such responsible use, engaging all Stakeholders of the Company for this purpose. In particular, professionals will be encouraged to contribute with their daily work to the achievement of the objectives defined in the fight against climate change; and
- m. encourage research and the development of methodologies in the evaluation and design of adaptation measures, and take appropriate measures to mitigate the impacts of climate change on the production of energy from renewable sources, integrating climate science into the setting of objectives and internal procedures.

4. Priority Lines of Action

The Group shall promote the following priority lines of action to develop the main principles of conduct set out in the preceding section:

- a. formalise and communicate a Climate Action Plan that specifies its commitment to achieve CO₂ neutrality by 2050, the interim targets for scopes 1, 2 and 3 of the greenhouse gas inventory, the strategy and investment policy designed to fulfil this commitment, and the frameworks and methodologies based on available science used to evaluate and report on the implementation of the plan;
- b. contribute to the electrification of the economy and maintain the Group's global leadership in renewable energy and in the investment and operation of smart grids that allow for a high level of renewable energy integration, by supporting regulatory legal initiatives aimed at:
 - increased electrification of consumer uses of the economy, such as electric mobility and heat pumps as efficient systems for domestic heating and cooling;
 - promoting the "polluter pays" principle, advocating for mechanisms for the establishment of emissions prices that generate a strong and sustainable price signal, capable of generating the resources required to equitably finance sustainable energy projects, both in industrialised countries and in emerging and developing economies, and supporting a tax system that includes this principle in the transport, construction and electricity production industries;
 - eliminating subsidies to high-emission technologies and industries;
 - promoting the replacement of energy generation systems based on the use of fossil fuels with higher carbon content and favouring the improvement of efficiency in generation, in transmission and in the final use of energy, all within the framework of an increasing electrification of the energy model; and
 - continuing to develop the real and global energy transition, based on decarbonisation and on the electrification of the energy sector in particular, and of the economy as a whole, that contributes to the Sustainable Development Goals (SDGs) approved by the United Nations, particularly with respect to the fight against climate change;
- c. integrate climate science and adaptation and resilience standards, as well as include technical improvements, in the design, construction and management of energy generation, storage and distribution networks and infrastructure in order to reduce or avoid the potential impacts of climate change on their functionality and allow the Group to adapt to changes in energy demand caused by climate change;
- d. analyse the risks arising from climate change as regards the energy transition, as well as physical risks;

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- e. regularly review the Company's greenhouse gas emissions inventory and establish control and monitoring mechanisms, including the verification of emissions by an independent third party;
- f. develop communication campaigns and materials, workshops and educational resources aimed at specific groups, or partner in projects with third parties, in both the public and private sectors, to promote communication and internal training of the Group's professionals on climate action;
- g. formalise agreements and work with multilateral bodies and civil society organisations with particular engagement in the fight against climate change, and particularly the UN Framework Convention on Climate Change, in order to strengthen the Group's international leadership in the process of fighting climate change;
- h. support public policies and strategies that deal in a coordinated and consistent manner with the social problems relating to climate change;
- i. lead the main international indices on the fight against climate change;
- j. disseminate the results achieved and/or actions performed by the Group regarding the fight against climate change; and
- k. establish the mechanisms needed to ensure the coordinated application of this *Policy* throughout the Group.

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This *Policy* was initially approved by the Board of Directors on 15 December 2009 and was last amended on 19 April 2021.