



Sustainable Management Policy



19 April 2021

1. Purpose	2
2. Scope	2
3. Main Principles of Conduct	2
4. Instruments to Promote Sustainable Management	2
5. Sustainable Event Management	3

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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 the exercise of these responsibilities and aware that the sustainable creation of value is one of the pillars of the *Purpose and Values of the Iberdrola group*, the Board of Directors hereby approves this *Sustainable Management Policy* (the “**Policy**”).

1. Purpose

The fulfilment of the corporate interest, as defined in the *By-Laws*, requires that the business activities included in the corporate object be focused on the creation of sustainable value.

In compliance with this mandate and with the provisions of the *Purpose and Values of the Iberdrola group* and the *General Sustainable Development Policy*, the Group commits to a sustainable energy model, endeavouring to achieve development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

The main principles of conduct regarding sustainable management set out in this *Policy* contribute to the achievement of the Sustainable Development Goals (SDGs) approved by the United Nations.

2. Scope

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

The Group’s commitment to sustainable management rests upon the following main principles of conduct:

- a. development of a business model based on environmentally sustainable economic activities;
- b. competitiveness of the energy products supplied, through efficiency in energy generation, storage, transmission, distribution and sale processes;
- c. high quality of the service and reliability and safety in the supply of energy products;
- d. reduction of the environmental impact of all activities carried out by Group companies;
- e. creation of sustainable value shared with the Company’s shareholders and the rest of its Stakeholders;
- f. promotion of the Group’s social commitment, and particularly respect for human rights as set out in the *Policy on Respect for Human Rights*; and
- g. promotion of the responsible use of energy.

4. Instruments to Promote Sustainable Management

The instruments to promote the main principles of conduct of this *Policy* are the following:

- a. Competitiveness of the energy products supplied: the Group promotes efficiency in energy generation, storage, transmission, distribution and sale processes, so that energy can sustainably be offered at the best price possible. This is all accomplished through the use of cleaner and more efficient technologies with low operation and maintenance costs, as well as a combination of diversified generation technologies that includes the most competitive energy sources based on weather and market conditions.
- b. High quality of service and reliability and safety in the supply of energy products: the Group promotes operational excellence, fostering a culture of continuous improvement and excellence in management, as provided in the *Quality Policy*. The continuous evaluation of process support tools, like quality management systems, which are hallmarks of the Group, are ultimately intended and are the Group’s fundamental tools to achieve operational excellence.
- c. Reduction of the environmental impact of all its activities: the Group strives to:
 - (i) promote a rational and sustainable use of water, manage the risks relating to water scarcity and ensure that water used is returned to the environment in the desired condition;

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- (ii) lead the fight against climate change by developing sustainable energy from renewable energy sources that contribute to the decarbonisation of the economy, as well as by optimising the use of energy throughout its value chain;
 - (iii) prevent or, where appropriate, minimise polluting emissions and their effects on human health and the environment;
 - (iv) assume a leadership position in the conservation and protection of biodiversity, generating a net positive environmental impact whenever possible; and
 - (v) improve the circularity of its business activities and those of its suppliers, through the sustainable use of natural resources, the implementation of life cycle analysis, the eco-design of its infrastructures, the application of the waste hierarchy, as well as the optimisation of waste management and the use of recycled materials. The Group also has an Environmental Management System (EMS) that allows for alignment of the environmental dimension with the Group's sustainability model and for identification of environmental aspects throughout the life cycle and the impact thereof on the environment by calculating the Corporate Environmental Footprint.
- d. Creation of sustainable value: the Group deploys the best corporate governance and sustainability practices within its reach, including codes of conduct and compliance and risk management codes. All of the foregoing is intended to ensure informational transparency and preserve the creation of shared sustainable value for its shareholders and other Stakeholders related to its business activities and its institutional reality, nurturing business profit as one of the foundations for the future sustainability of the Company and the Group, and responsibly carrying out its work as a major driving force in the energy sector. In this regard, and in accordance with the provisions of the *Stakeholder Engagement Policy*, the Group seeks to encourage the increasing involvement of the Stakeholders in the business enterprise and to respond to their legitimate interests, as means to increase the degree of trust and contribute to preserving the corporate reputation. In particular, the Group works on achieving excellent management of relations with its customers, offering efficient and suitable energy products tailored to their needs, and capturing the opportunities provided by the market.
- e. Boosting social commitment: the Group's strategy is aligned with the achievement of the goals of the UN 2030 Agenda for Sustainable Development. Along these lines, the Group desires to act as an engine and lever for social change, and works through the social commitment policies to face inescapable social challenges and goals, like the commitment to human rights, the empowerment of women, and the promotion of the diversity and equality of its members and the constituents of and participants in its business enterprise. In particular, the Group strives to improve the quality of life of the people in the communities in which it does business, promoting universal access to energy supply, paying special attention to customers who are economically disadvantaged or in any other situation of vulnerability, establishing specific procedures of protection and collaborating in providing ongoing access to energy supply according to the policies established by the competent regulatory bodies in each case.
- f. Promoting the responsible use of energy: supporting energy saving and efficiency measures and contributing to sustainable development through public awareness campaigns encouraging the efficient consumption of its products and services.

5. Sustainable Event Management

The Group assumes a commitment to leadership in the area of sustainable event management, encouraging the contribution of all participants in its value chain. For this purpose, the *Iberdrola Group Events Manual* establishes guidelines that should govern all events of the Group to ensure that they scrupulously comply with all applicable requirements in each case (especially including laws on safety and health, noise, waste, privacy and personal data protection), while at the same time promoting accessibility, inclusion, non-discrimination and diversity in the planning and execution thereof.

The companies of the Group shall endeavour to establish sustainable management systems for events whose importance and complexity so advise, in which they shall promote the engagement of all affected Stakeholders and take into consideration their needs and expectations.

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This *Policy* was initially approved by the Board of Directors on 17 December 2013 and was last amended on 19 April 2021.