

# Human Rights Report

2022





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## STATEMENT FROM THE EXECUTIVE CHAIRMAN



*"At the Iberdrola group we respect human rights with conviction, and we always act with responsibility and respect for people, the environment and the communities in which we operate.*

*We are aware that large companies, due to our ability to create jobs, invest or innovate, have very positive impacts on society, but we also know that there are aspects in which we must be very vigilant in the performance of our entire value chain.*

*Therefore, we promote a Policy, a strategy and a proactive management of human rights, through not only due diligence measures, but also a global corporate culture that avoids risks for our company, the supply chain and local communities and environments.*

*In the current context, we know of the growing interest of regulators, analysts, investors, and other groups in human rights performance. At Iberdrola, we strive to be a reference also in this area, which is inexorably linked to global sustainable development, and to the sustainability and resilience of our company.*

*An example of this is this first Human Rights Report that we want to share with the society and all our Stakeholders, in a further exercise of transparency and responsibility, which shows the commitment to vigilance and continuous improvement in the fulfillment of human rights that we have set for ourselves".*

Ignacio S. Galán,  
Executive Chairman of Iberdrola

## ABOUT THIS REPORT

In accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs), Iberdrola shows its commitment to protecting human rights and aspires to contribute to a more sustainable planet. To this end, it has equipped itself with the necessary policies, procedures and tools to guarantee the respect of human rights in all its businesses, countries of operation and value chains. At the same time, the company is committing to transparency in relation to these efforts as the only route to accountability. With this report, Iberdrola wants to respond to the growing expectations of its Stakeholders about how it is managing human rights.

In this publication, the company sets out the steps it has taken to identify and manage its impacts, as an advanced transparency exercise that aims to go beyond the requests of analysts and regulators, gathering the company's management capacity in this area. It provides detailed, material and relevant information on the measures adopted by the company within the framework of a continuous due diligence system in accordance with the UNGPs and, in particular, during 2021.

In relation to scope, Iberdrola group carries out its activity through more than 1,300 operational centers. In order to adequately report on such a large number of centers, certain rationalization criteria have been introduced (see details in [Annex III](#) - Main centers of activity). Consequently, Iberdrola considers that there are 246 main centers of activity, in relation to which the company reports its due diligence measures in this report, as well as to all groupwide business relationships.

Iberdrola has carried out an independent external verification of the content included in [Annex I](#) "*Compliance with the UNGPs Reporting Framework*", carried out by PwC in accordance with the ISAE 3000 standard. At the end of this document the corresponding independent review [report](#) is included.

For clarification purposes, every time "Iberdrola, S.A." or the "Company" are mentioned, they refer to this company individually, whereas when there is reference to Iberdrola, to the "group" or the "Iberdrola group", the company and the companies where it has a majority stake are included. The 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.

Finally, with the aim of providing maximum access to other available information, direct links have been included throughout this report, both to the corporate website ([www.iberdrola.com](http://www.iberdrola.com)) and other group pages, as well as to the official documents published in PDF format. To open these links, you can left-click directly on the texts that you find identified in the following format: [link example](#).



## EXECUTIVE SUMMARY

Since Iberdrola, S.A. approved its [\*Policy on Respect for Human Rights\*](#) in 2015, the group has progressively deployed formal commitments and specific measures for the identification, prevention, mitigation and, where appropriate, remedy, of impacts on human rights in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs).

Iberdrola is publishing this report in order to allow its Stakeholders to learn about the company's progress in this area in accordance with its commitment to transparency, contained in the Governance and Sustainability System and in the [\*Stakeholder Engagement Policy\*](#).

This report has been prepared by the company in accordance with the UNGPs *Reporting Framework* and verified by an independent third party. However, its structure follows the UNGP methodology to aid the reader's understanding of how the company implements and manages its Human rights due diligence system.

The report is structured over 4 chapters that include the different aspects of the due diligence process implemented by the company. The most relevant elements are described below. Chapters 1 and 2 report the main milestones in the implementation of the due diligence system to date, as well as the details of the governance system that supports it. It is contextualized in the social need to move towards a fair transition (of the energy model), whereby respect for human rights is a basic pillar.

Of particular note in this process is the development of a robust policy and governance system, which is supported by the group's control model, based on the three lines of defense. This grants clear responsibilities for prevention, follow-up and evaluation, driving a continuous improvement model that ensures the proper implementation and monitoring of the Human rights due diligence system.

In addition, highly innovative elements have been introduced: linking the variable compensation of senior management to sustainability criteria on the part of suppliers, including aspects of human rights, and giving the Sustainable Development Committee the power to oversee the Human rights due diligence system and report its conclusions to the Board of Directors.

The third chapter describes, in detail, the five steps of the Human rights due diligence system implemented by Iberdrola in accordance with the UNGPs.

The first section ([\*Identification of Impacts\*](#)), describes the methodology for identifying potential and actual impacts. The analysis has revealed four human rights issues prioritized by the company, such as: local communities and indigenous peoples (including the environment); labor practices; cybersecurity and privacy; and public insecurity and labor practices in the contracting of security services. In addition, this section shows the company's link with global issues related to human rights, such as climate change or the COVID-19 pandemic.

The following sections detail how the company manages the most relevant risks of impact in relation to certain Stakeholders ([\*Integration of respect for human rights\*](#)), how it establishes cross-sectoral mitigation measures (Mitigation measures) and how it monitors and shares its performance with Stakeholders ([\*Monitoring the effectiveness of due diligence measures\*](#)).

Iberdrola views due diligence as a continuous exercise of identifying and managing impacts that is nurtured through the collaboration between the different areas and businesses of the group companies. This allows for the establishment of an integrated system with specific policies and procedures that is

applicable to the subholding companies of the group in Spain, the United Kingdom, the United States, Brazil and Mexico, as well as to Iberdrola Energía Internacional. This exercise is carried out with careful consideration of the local perspective and with respect for the greater autonomy of the listed subholding companies.

Within this system, some relevant aspects are worth pointing out, such as the establishment of improvement plans for suppliers, or the recognition of the Global Stakeholder engagement model, as an example of best practice at the international level, that allows the group to maintain an agile and flexible conversation on human rights issues with all its Stakeholders.

According to the UNGPs, communication of the due diligence system and reporting on progress are essential axes of the system. To this end, it is included in a section in this report (*Communication and reporting*), which explains how the *Non-Financial Information Statement (NFIS) - Sustainability Report*, the company's website and other communication measures make it possible to disclose relevant information regarding the group's responsibility to respect the human rights of all its Stakeholders.

For Iberdrola, the due diligence system must allow it to act, preferentially, in the prevention and mitigation phases of potential adverse impacts. Additionally, as described in chapter 4 (*Grievance mechanisms and remedy*), the company has developed complaint and grievance mechanisms in accordance with the UNGPs, in order to deal with potential adverse consequences at an early stage and, where appropriate, to provide adequate remedy, also in line with the UNGPs.

It is for all these reasons that, in the context of growing interest in the issue of human rights, and in anticipation of future regulatory measures at the European Union (EU) level, Iberdrola has decided to communicate in this report, in a detailed and transparent manner, its performance in this area, reinforcing its leadership position in the sector, endorsed by the *Renewable Energy and Human Rights Index* prepared by the *Business and Human Rights Resource Center (BHRRC)* for two consecutive years.

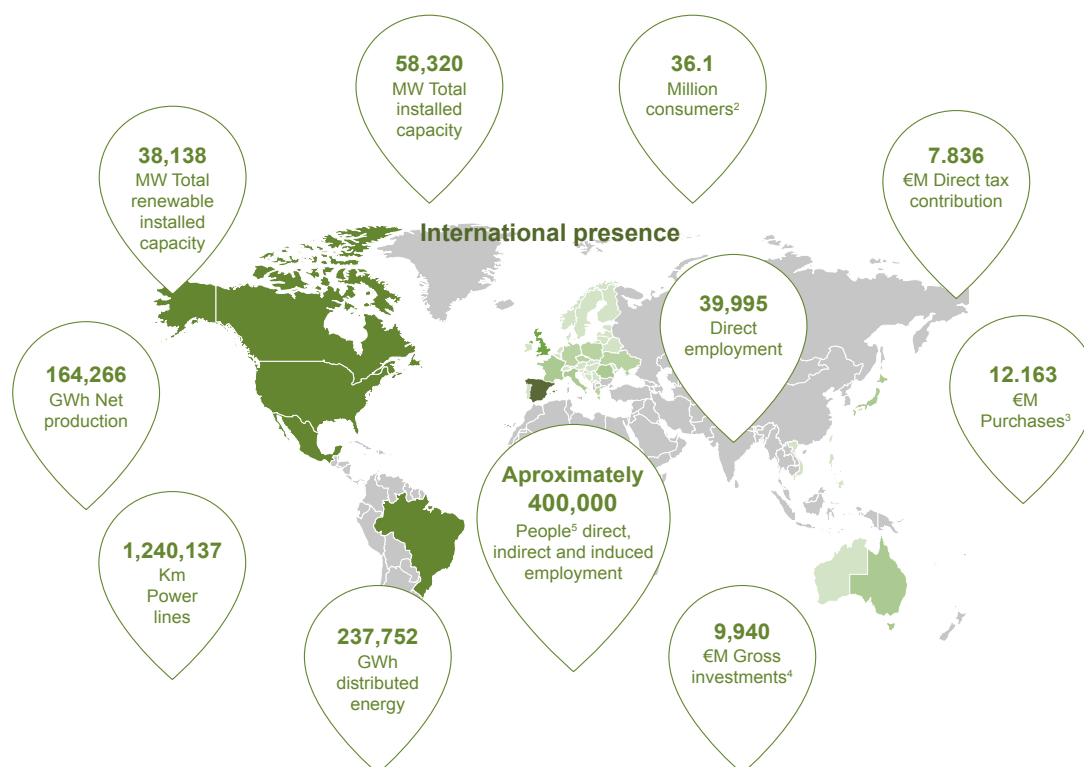
## ABOUT IBERDROLA

Iberdrola is one of the world's leading energy companies. With more than 170 years of history, the group is today a global energy leader, the world's leading wind producer and one of the largest electricity companies by market capitalization in the world. The company has undergone a deep transformation, anticipating the current energy transition by 20 years, to combat climate change and offer a sustainable and competitive business model that creates value in the territories in which it operates. Thus, Iberdrola leads the transition towards a sustainable model through its investments in renewable energy, smart grids, large-scale energy storage and digital transformation, in order to offer the most advanced products and services to its clients.

Its purpose is **“To continue building together each day a healthier, more accessible energy model”**. This model contributes to the achievement of the Sustainable Development Goals (SDG) approved by the Organization of the United Nations (in particular, those related to universal access to electricity, the supply of affordable and non-polluting energy and the fight against climate change), protects and responds to the most demanding standards and requirements in terms of social commitment, defense of the environment and good governance (“ESG”), within the general framework of respect and protection of human rights, the social market economy and the ethical principles of general acceptance in its sphere of action.

The group supplies energy to nearly 100 million people in dozens of countries, has more than 600,000 shareholders, a workforce of more than 40,000 workers and assets of more than 140,000 million euros.

### Main figures and areas of activity of the Iberdrola group

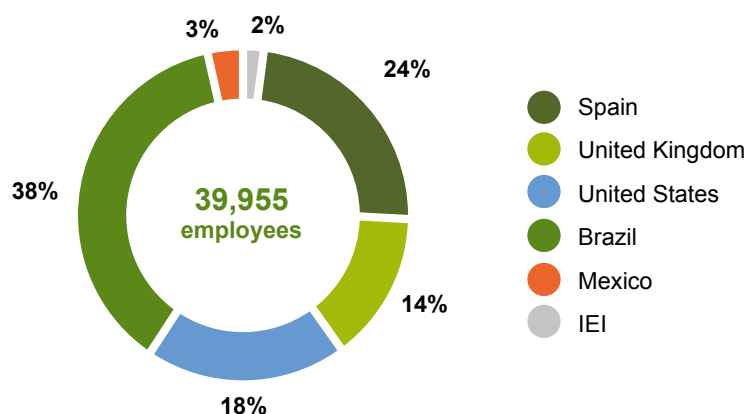


<sup>1</sup> At closing date of financial year 2021.

<sup>2</sup> Value associated with the awarded volume of purchases made during the 2021 financial year.

<sup>3</sup> Data from the Iberdrola Impact Study, carried out by PwC, corresponding to the 2020 financial year.

## Geographical diversity of the workforce



## Presence by regions

Iberdrola, S.A. and its subsidiaries and investees carry out their activities in nearly thirty countries. The group concentrates a substantial part of its activity in Spain, the United Kingdom, the United States, Brazil and Mexico; and also in Australia, Germany, Portugal, Italy, France, Ireland, etc.

Likewise, it has closed several agreements in new markets to start the development of several offshore wind projects in countries such as Sweden, Poland, Japan, Taiwan and Vietnam.

## Choice of focal geographies

This report reflects, in a reasonable and balanced way, the performance on human rights impacts related to Iberdrola's activities in the countries of operation (see [Annex III](#)), paying special attention to those countries with the highest risk of human rights violations according to the results of the **Human rights risk map** (information included in the [Identified human rights impact](#) section) prepared by an independent third party, which reflects the risks taking into account the operational context and the activity sector, as recommended by the UNGPs.





# 1. THE RESPONSIBILITY TO RESPECT HUMAN RIGHTS





The chapters of the report are structured by placing at the beginning of each of them the applicable United Nations Guiding Principles (UNGP's) according to the corresponding topic, in order to explain how Iberdrola implements and manages its Human rights due diligence system.

**UNGP 11:** Business enterprises should respect human rights. This means that they should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved.

**UNGP 13:** The responsibility to respect human rights requires that business enterprises:

- Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur;
- Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.

**UNGP23:** In all contexts, business enterprises should

- Comply with all applicable laws and respect internationally recognized human rights, wherever they operate;
- Seek ways to honour the principles of internationally recognized human rights when faced with conflicting requirements;
- Treat the risk of causing or contributing to gross human rights abuses as a legal compliance issue wherever they operate.

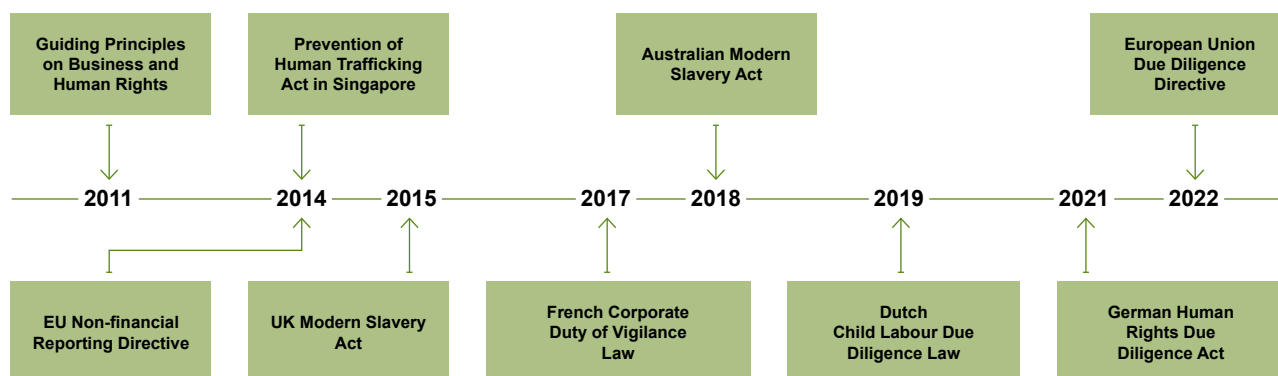
## 1.1. IBERDROLA'S COMMITMENT TO HUMAN RIGHTS

Iberdrola's commitment to respect human rights is formalized in its [\*Policy on Respect for Human Rights\*](#). This policy establishes the principles of action and the need for the company to equip itself with the procedures and governance systems necessary to guarantee respect for human rights in relation to its businesses, countries of operation and value chain, as established by the UNGPs.

Since the inception of the UNGPs in 2011, international reference frameworks for companies in the area of human rights have multiplied, both from a regulatory and a non-regulatory perspective, with initiatives that establish reporting obligations or due diligence requirements in human rights based on the UNGPs. Iberdrola, due to its activity and geographical presence, is thus challenged by the following regulations on human rights at the international level.



## International references in the field of human rights



In view of the above, the company has put into practice its commitment to human rights by implementing a due diligence system that allows the company to identify its potential and actual impacts and act in accordance with internationally recognized human rights principles and standards.

Thanks to the progress made, Iberdrola will be able to meet the requirements of the *European Union Directive on Corporate Sustainability Due Diligence*, currently in the pipeline. This legislative proposal will establish harmonized due diligence obligations for companies operating in the EU.

The main milestones in the implementation and progressive improvement of the company's Human rights due diligence system in the field of human rights in recent years are detailed below.

## Main milestones in human rights

### 2015

The Board of Directors approves the [\*Policy on Respect for Human Rights\*](#).

### 2018

Development of a human rights due diligence system aligned with the UNGPs and based on the identification of impacts and gaps in due diligence based on:

- **Building of the methodological and analytical framework** to carry out human rights due diligence in accordance with existing management mechanisms; and
- **Gathering the necessary information** to identify impacts on human rights and gaps in due diligence.

### 2019

Consolidation of the due diligence system through

- the **identification of potential impacts** specific to the electricity sector and the definition of expectations related to human rights; and
- the analysis of improvement aspects (gap analysis) and **prioritization of actions to prevent and mitigate potential impacts**.



**2020**

## Adaptation of management systems

- review of **grievance and claim mechanisms**;
- **new procedure** for the formalization of the classification, monitoring and control of complaints and claims;
- preparation of the ***Guide of recommendations for carrying out public consultations with local communities***;
- **raising awareness** regarding human rights among workers; and
- human rights protection measures during COVID-19;

**2021**

- Preparation of the ***Human rights risk map*** by an independent third party;
- Development of a **digital tool** for the management of public consultations with local communities; and
- **Reinforcement of the external communication** on matters related to human rights, by way of a ***new section*** on the corporate website.

## 1.2. HUMAN RIGHTS AND ENERGY TRANSITION: THE PATH TOWARDS A JUST TRANSITION

The 2021 United Nations Climate Change Conference (***COP 26***), held in autumn 2021 in Glasgow, put the spotlight on the energy sector, emphasizing the urgency and opportunity to move towards a carbon-neutral economy through a just transition.

According to this agenda, a just transition implies the implementation of social dialogue policies and frameworks without leaving anyone behind, generating prosperity for society as a whole from an inclusive approach and generating quality employment.

Iberdrola is developing a low-emissions business model, 70% lower than the “European” sector and below 100 grams/kWh (98 g) globally in 2021. The group will achieve net zero CO<sub>2</sub> equivalent emissions by 2040 for all scopes, including Scope 3. Iberdrola has established an ambitious roadmap to reach this goal that involves achieving neutrality for Scope 1 and 2 emissions by 2030.

Iberdrola seeks to guarantee a just transition in the most inclusive way possible, creating decent work opportunities, maximizing the social and economic opportunities of climate action and, at the same time, minimizing and managing the challenges through effective social dialogue and respect from the human rights. As a sign of this commitment, Iberdrola joined the “Agreement for a Fair Energy Transition” in 2021, promoted by the Government of Spain, focused on supporting economic activities that need to adapt within the framework of the energy transition.





In this context of transition, Iberdrola faces tasks that have a direct impact (adverse or positive, as the case may be) on local employment. These refer to the construction of new renewable facilities (wind and photovoltaic); the closure of coal facilities; the expansion of smart networks that allow the integration of green energies in the electrical system; and the commitment to new energy vectors, such as green hydrogen.

#### Good practices

### Progress on the path to decarbonization

Iberdrola has closed all of its coal and diesel power plants, a total of 17 plants and a capacity equivalent to 8.5 GW.

Since 2016, Scotland has been coal-free. ScottishPower - a subsidiary of Iberdrola in the United Kingdom - closed its coal-fired power plant and it is now the first integrated energy company in the United Kingdom to have 100% green electricity generation.

In December 2021, the chimney of the *Longannet* thermal power plant, which was the largest coal power plant in Europe, was demolished. In awareness of clean energy being only way forward for the future, this event was a landmark for Iberdrola in the transition from fossil fuels to renewable energies.

As indicated above, adverse impacts can result from the dismantling of coal generation facilities, affecting specific regions and populations. It is of particular importance to approach the solution from a collaborative approach. In this regard, Iberdrola understands that this transition necessarily goes through social dialogue frameworks that allow for the economic revitalization of an environment in transition towards a green economy, while protecting its populations and generating socioeconomic value.

#### Good practices

### The green transformation in Lada and Velilla

To avoid the loss of employment that could result from the closure of the Lada and Velilla coal-fired power plants, Iberdrola has launched green transformation plans in these regions. These include investment in renewable energies, the creation of public platforms and circular economy projects, as well as stimulating the business community, entrepreneurship and local employment, according to innovative, green principles.

Iberdrola's [\*green recovery plan\*](#) for both areas also included the launching of the [\*Innovation Platform\*](#) to channel entrepreneurial initiatives that would act as an instrument to accelerate collaborations between the public, public bodies and companies. The program also included the promotion of training and information programs with the aim of improving employability in the area.

Finally, the expansion of renewable energies may entail risks to human rights, especially in relation to land use and the impacts on biodiversity, that must be addressed in accordance with the UNGPs. The approach to these issues is described in chapter [\*Identification of impacts\*](#) of this report.



## 1.3. MAIN BENCHMARKS AND RECOGNITIONS IN HUMAN RIGHTS IN 2021

Iberdrola has been recognized by various human rights benchmarks and initiatives that are detailed below:



For the second consecutive year, Iberdrola has led the 2021 Renewable Energy and Human Rights Benchmark prepared by the Business & Human Rights Resource Center (BHRRC), which evaluates, based on indicators related to international human rights standards aligned with the UNGPs, the human rights policies and practices of the 15 largest renewable energy companies in the world, as well as two investors (BlackRock and Brookfields) with significant interests in renewable energy.



Iberdrola has obtained 92 points in the human rights section of the **Dow Jones Sustainability Index** - 2021 (DJSI), where it has featured in 22 editions, placing the company in the 90% percentile compared to the other ranked companies' average of 28 points.



Since 2009, it has been part of the **FTSE4Good** index. This index recognizes the most sustainable companies in the world, taking as a reference ESG criteria (environmental, social and governance) and standards such as work, human rights, health and safety, biodiversity, climate change, water and customer responsibility, and social aspects of the supply chain.



The Corporate Transparency Index on Integrity, Compliance and Human Rights names Iberdrola the most transparent company on the Ibex 35. **Transparency International Spain** has positively assessed that the company has promoted ESG criteria among its more than 22,000 suppliers in the world, accounting for more than €20 billion worth of orders per year.



The only Spanish company included for the eighth consecutive year as one of the most ethical companies in the world in the 2021 **World's Most Ethical Companies**.



First place in the **OpenODS Index**, a rating and transparency platform for verifying the progress and efforts made by public and private entities to meet the Sustainable Development Goals (SDGs).



**2021 Global 2000  
World Largest  
Public companies**

Recognized by **Forbes** as one of the 10 best companies in the world in terms of the integration of women into the workforce in its **World's Top Female Friendly Companies** ranking.



The only Spanish electric utility company included in the **Bloomberg Gender – Equality Index** in all editions in recognition of its policies on equal opportunity and gender.



The most responsible energy company with the best corporate governance in Spain in 2020, according to the Merco ranking. Iberdrola has been recognized as one of the companies with the best reputation in Spain, according to the general classification of Companies for 2021, being among the four best Spanish companies in attracting and retaining talent.



# 2. COMMITMENT AND GOVERNANCE IN HUMAN RIGHTS





## 2.1. POLICY COMMITMENT

**UNGP 16:** As the basis for embedding their responsibility to respect human rights, business enterprises should express their commitment to meet this responsibility through a statement of policy that:

- Is approved at the most senior level of the business enterprise;
- Is informed by relevant internal and/or external expertise;
- Stipulates the enterprise's human rights expectations of personnel, business partners and other parties directly linked to its operations, products or services;
- Is publicly available and communicated internally and externally to all personnel, business partners and other relevant parties;
- Is reflected in operational policies and procedures necessary to embed it throughout the business enterprise.

Iberdrola has long been committed to human rights. Well before the adoption of its policy in 2015, the company had already implemented a *Governance and Sustainability System* comprised of regulations aligned with the UNGPs and other international standards.

In February 2015, the Board of Directors of Iberdrola, S.A. formalized this commitment by approving the *Policy on Respect for Human Rights*, a cross-cutting policy that incorporates a global vision of the human rights strategy and establishes the principles governing all the company's operations and business relationships. The principles set in this policy concern all professionals groupwide – regardless of where they carry out their activities – including business relationships, in accordance with the provisions of the UNGPs.

Throughout the process of drafting the *Policy on Respect for Human Rights*, consideration was given to the contributions of different divisions of the company that are involved in developing the corporate governance system. These divisions are all in constant contact with various Stakeholders, whose assessments and points of view are passed on to the working groups on internal regulations.

As part of the due diligence system, the company periodically **reviews and updates** its *Policy on Respect for Human Rights* whenever a need is detected that requires addressing. It is a joint effort of those responsible for the policies and the Legal Service Desk, the Compliance Department, the Secretary of the Board, the ESG Department and specialized external advisors. The ESG Department incorporates the results of the materiality studies, developed with consideration to the different Stakeholders.

Once adopted, the policy is shared internally and externally to staff, partners and other interested parties.

As a result of this exercise, Iberdrola's public commitment to human rights has been updated and strengthened as follows:





## Update of the Policy on Respect for Human Rights

2015	The Board of Directors of Iberdrola, S.A. approves the <i>Policy on Respect for Human Rights</i> , the principles of which apply to all the companies that form part of the group, as well as to the non-integrated subsidiaries, over which Iberdrola has effective control, within legally established limits.
2017	Introduction of an explicit reference to the right to move freely within each country.
2018	Introduction of an explicit reference to the contribution to SDGs.
2019	Drafting improvements.
2020	Updating of the principles of the <i>Policy on Respect for Human Rights</i> . Establishment of the relationship with the <i>Stakeholder Engagement Policy</i> . Re-organization, according to ESG criteria, and updating of the references in relation to the Governance and sustainability system. Enhancement of the framework with other corporate policies.
2021	Inclusion of the following perspectives: mental health; use of new technologies and non-discrimination; new considerations for minorities; measures for shareholders with technological difficulties.
2022	The Sustainable Development Committee gains the authority to regularly report to the Board of Directors on human rights matters, including on the measures and procedures adopted by the group to implement and monitor the provisions of the policy.

## 2.2. SCOPE OF THE RESPONSIBILITY

**UNGP12:** The responsibility of business enterprises to respect human rights refers to internationally recognized human rights – understood, at a minimum, as those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work.

**UNGP14:** The responsibility of business enterprises to respect human rights applies to all enterprises regardless of their size, sector, operational context, ownership and structure. Nevertheless, the scale and complexity of the means through which enterprises meet that responsibility may vary according to these factors and with the severity of the enterprise’s adverse human rights impacts.

Through the *Policy on Respect for Human Rights*, the company has acquired, among others, the following commitments linked to international standards on human rights:



- To respect the human and labor rights recognized in national and international legislation, as well as international standards in those countries in which the legislation on human rights has not been adequately developed.
- To reject child labor exploitation, forced labor or any other form of modern slavery, and respect freedom of association and collective bargaining, as well as nondiscrimination, the right to move freely within each country and the rights of ethnic minorities and indigenous peoples in the places where it carries out its activity.
- To respect the right to the environment of all the communities in which it operates, considering their expectations and needs and understanding access to energy as a right related and linked to other human rights.
- To promote a culture of respect for human rights and the awareness of its professionals in this matter in all group companies and, notably, in those with higher risks of human rights abuse.

#### Right to a healthy environment

The **link between human rights and a healthy environment** has been recognized by the UN and, recently, by the Glasgow Climate Pact adopted at the World Climate Conference (COP26), which has considered the impact of the climate crisis as an effect on human rights.

Although the UNGP 12 does not explicitly include the right to the environment, Iberdrola considers it a fundamental right. Therefore, the company recognizes this right in its *Policy on Respect for Human Rights* and its *Environmental Policy* as “the legitimate right of present and future generations to enjoy a suitable environment”.

Iberdrola’s recognition of this right is in line with the UN Human Rights Council resolution 48/13 of 2021, which recognized for the first time the right to a safe, clean, healthy and sustainable environment, that Iberdrola had previously recognized in its internal policies.



## 2.3 GOVERNANCE STRUCTURE. REGULATORY FRAMEWORK

**UNGP 19:** In order to prevent and mitigate adverse human rights impacts, business enterprises should integrate the findings from their impact assessments across relevant internal functions and processes, and take appropriate action.

- Effective integration requires that:
  - Responsibility for addressing such impacts is assigned to the appropriate level and function within the business enterprise;
  - Internal decision-making, budget allocations and oversight processes enable effective responses to such impacts.
- Appropriate action will vary according to:
  - Whether the business enterprise causes or contributes to an adverse impact, or whether it is involved solely because the impact is directly linked to its operations, products or services by a business relationship;
  - The extent of its leverage in addressing the adverse impact.

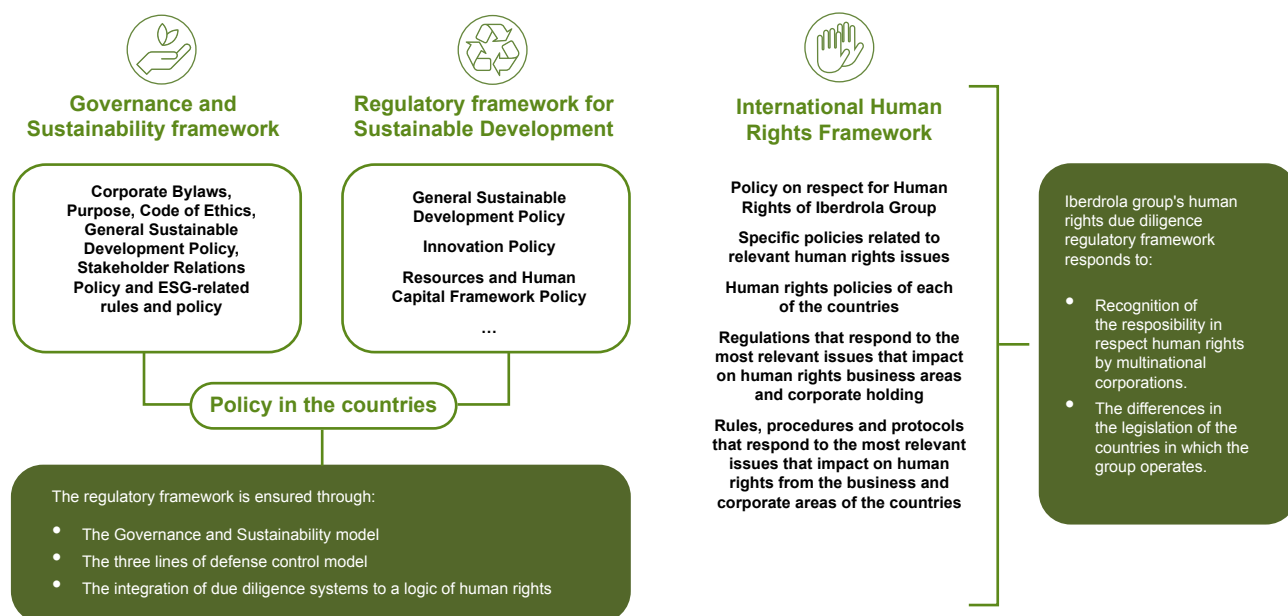
Protecting human rights goes far beyond legal or regulatory compliance issues. Iberdrola is committed to preventing and mitigating the impacts of its activities on human rights with means that are proportionate to the complexity and magnitude of its operations and business relationships. Therefore, the company has established appropriate governance and management structures to ensure that roles and responsibilities have been assigned in this area.

Iberdrola's Human rights due diligence system is supported by the Governance and sustainability system and the control model, based on three lines of defense. It is a continuous review process adapted to the size of the company, the diversity and special nature of the facilities and operations in different countries, including its value chain, which ensures the consistency of its global commitment to human rights.





### Iberdrola human rights normative framework



### An integrated and cross-cutting governance system at the highest level

The **Board of Directors**, in charge of the design, evaluation and review of the Governance and sustainability system, is responsible for approving and updating the *Policy on Respect for Human Rights*. As part of their duties, the members of the Board of Directors must align themselves with the Code of Ethics and the corporate values contained in the *Purpose and Values of Iberdrola group*. The Board of Directors of Iberdrola, S.A., along with the board of the subholding companies in each country, approve the policies and are ultimately responsible for their oversight. Once approved, the responsible divisions are informed so that they can proceed to implement them and guarantee compliance.

The Board of Directors of Iberdrola, S.A., informed by the Sustainable Development Committee, receives regular information on the measures and processes adopted to implement and monitor the provisions of the Policy on Respect for Human Rights. The *regulations of the Board of Directors*, modified in 2022, explicitly include the Sustainable Development Committee's remit of informing the Board of Directors of any information it receives regarding the measures and procedures adopted in order to implement and monitor the provisions of the *Policy on Respect for Human Rights*. Accordingly, *regulations* of the mentioned Committee have also been modified in 2022.

The **Sustainable Development Committee** possesses the following remits, among others, within the field of human rights:

- To oversee performance in sustainable development matters and, in particular, to ensure its practices in environmental and social matters are in line with the strategy and policies approved by the Board of Directors, and to report on it.
- To report to the Board of Directors information received on the measures and procedures adopted in the group in order to implement and monitor the provisions of the *Policy on Respect for Human Rights*.



The Committee is made up of three independent directors with specific remits in both human rights, and labour and sustainability issues. All its members received training in 2021 on the following material aspects related to human rights: non-financial information, taxonomy and metrics, reporting and environmental, social and governance metrics, Corporate Social Responsibility and biodiversity, and responsible leadership of people.

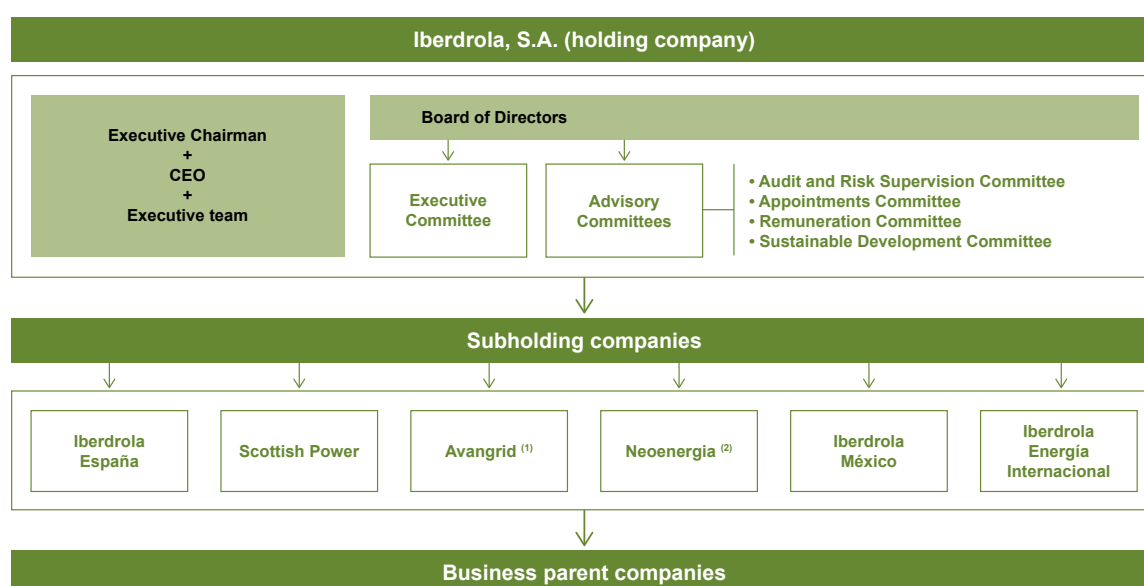
For 2022, the Committee on Sustainable Development has decided on studying the evolution of the human rights due diligence legislative proposals as a priority.

During the 2021 financial year, the Board of Directors, the Executive Committee and the Sustainable Development Committee all dealt with key issues related to human rights issues. These included issues such as **labor matters**, for instance: monitoring the impact of COVID-19 on the wellbeing of the workforce, early retirement, policies and reports on equality, diversity and inclusion, and a global survey on the work environment; **climate and environmental aspects**, such as the approval of the [\*Climate Action Policy\*](#), assessment of risks and opportunities arising from climate change, and monitoring of greenhouse gas emission reduction targets; **reporting and transparency issues**, such as the SNFI- Sustainability Report and assessment of the group's position in relation to **aspects of ESG**; **social issues**, such as the tracking of actions with an impact on the social dividend and monitoring Iberdrola's agreement with the United Nations Children's Fund (UNICEF) to fight for child survival; **monitoring of risks**, such as reputational or emerging cybersecurity risks; and ethical aspects, such as the review of the Annual Report on the Effectiveness of the Compliance System, prepared by the Compliance Unit, and the publication of the Tax Transparency Report.

The Director of ESG, together with the Director of Innovation, Sustainability and Quality, repeatedly appeared, throughout 2021, before the Sustainable Development Committee and the Audit and Risk Supervision Committee so that they could report to the Board on the matter.

For more information, please consult the [\*Activities Report of the Board of Directors and its committees thereof\*](#).

### Supervision and management of Human Rights at Iberdrola



<sup>1</sup> Company listed on the New York Stock Exchange.

<sup>2</sup> Company listed in the Novo Mercado segment of BOVESPA (Brazil).



## The three lines of defense for a comprehensive system implementation

**UNGP 20:** In order to verify whether adverse human rights impacts are being addressed, business enterprises should track the effectiveness of their response. Tracking should:

- Be based on appropriate qualitative and quantitative indicators;
- Draw on feedback from both internal and external sources, including affected Stakeholders.

In accordance with **UNGPs 19 and 20**, and in order to integrate the conclusions of the impact assessments within the framework of the company's internal functions and processes, and establish oversight processes, the internal responsibilities in the area of human rights are structured around a due diligence system based on three lines of defense.

- The **first line of defense** is directly responsible for identification, prevention, mitigation and remedy measures. Sometimes the responsibility is divided between the operations area and a support area, with a presence on the ground, such as the social management areas.
- The **second line of defense** strategically monitors the first line's due diligence tasks, at both country level and corporate level.
- The **third line of defense** is Internal Audit, which operates based on risks and an audit plan. Its purpose is to audit the clearly established procedures, including those related to human rights.

## The cross-cutting nature of the governance system

In order to ensure that the principles relating to respect for human rights are effectively applied group-wide, and that the associated responsibilities are correctly allocated in the sub-holding companies, the teams responsible for dialogue with local communities have been bolstered, especially in areas of potential impact, through training, communication of good practices, and in close coordination with the Iberdrola, S.A. team. This responsibility includes:

- Identifying potentially relevant issues.
- Analysis of the components of the Human rights due diligence system and documenting them.
- Maintaining relations with local and indigenous communities.
- Ensuring a complete report.
- Guaranteeing the existence of participation channels, procedures and reporting.
- Implementing mitigation and compensation measures.

The cross-cutting nature of the system is ensured through specific management policies for the salient human rights issues.

In accordance with UNGP 16, the [\*Policy on Respect for Human Rights\*](#) is reflected in various operational policies and procedures that are applicable in all the group companies, as well as in non-integrated investee companies which the company has effective control over, within legal limits.



Iberdrola, S.A. has approved the following policies and regulations that directly address or are related to its commitment to human rights:

- Regulations of the Board of Directors and Regulations of the Sustainable Development Committee, which incorporate, after the review in February 2022, the new remit of the Sustainable Development Committee to report on human rights issues to the Board of Directors.
- Code of Ethics, which establishes the commitment and links to human rights, as recognized in national and international legislation in accordance with: the UNGPs, the Organisation for Economic Co-operation and Development (OECD), Guidelines for Multinational Enterprises, the Principles on which the UN Global Compact is based, the Tripartite Declaration of Principles on Multinational Companies and Social Policy, the conventions of the International Labor Organization (ILO) (including Convention 169), the SDGs, as well the documents and texts that can replace or complement those previously mentioned.
- Supplier's Code of Ethics, establishes the commitment and links to human rights that all suppliers must accept and comply with, making explicit references to sustainability and ethical standards, as well as particular issues related to labor practices, such as forced labor and gender equality.
- General Sustainable Development Policy, the purpose of which is to establish the general principles and bases that govern the sustainable development strategy to ensure that all corporate activities and businesses are carried out promoting the creation of value in a sustainable manner for shareholders. And, with consideration of other Stakeholders, it favors the achievement of the SDGs and rejects actions that contravene or hinder them. The sustainable development strategy revolves around three main vectors: environmental, social (including human rights) and corporate governance aspects. This policy was last reviewed and updated in February 2022.
- Stakeholder Engagement Policy, the purpose of which is to establish the general framework of the Company's relations with its Stakeholders in all its activities and operations. It aims to promote their involvement in the business project through a strategy of strong engagement with the communities in which it operates and the creation of shared, sustainable value for all of them. It is about generating trust among the Stakeholders to build long-lasting, stable and robust relationships, and to work on driving continuous improvement to respond to their needs. This policy was last reviewed and updated in April 2022.
- Resources and Human Capital Framework Policy, addressed to all workers, last revised and updated in April 2022 to include the concept of mental health, as well as the use of new technologies and the adoption of measures for shareholders with technological difficulties. Its content is consistent with the *Policy on Respect for Human Rights* and, in particular, with labor rights, and is developed through the following policies: the Equality, Diversity and Inclusion Policy, the Selection and Hiring Policy, the Knowledge Management Policy, the Occupational Safety and Health Risk Policy and the Senior Management Remuneration Policy.
- Occupational Safety and Health Risk Policy, which seeks to ensure that all levels of the organization place a particular focus on the importance of physical and mental health and safety of the people involved in the value chain, including their emotional, psychological and social well-being. These are permanent objectives and are integrated into all business processes as a basic principle of effectiveness and efficiency, as well as collective responsibility. Therefore, all workers must help meet those objectives in their daily work. This policy was last reviewed and updated in April 2022.
- Equality, Diversity and Inclusion Policy, resulting from the merge in 2021 of the *Diversity and*



*Inclusion Policy* and the *Equal Opportunity and Reconciliation Policy*, it was last revised and updated in April 2022. It aims to achieve a favorable environment that facilitates and promotes equal opportunities, diversity and the inclusion of all professionals, generating respect for each person's individuality in accordance with the legislation in force in each country, and following the best international practices, including the provisions of the SDGs.

- *Cybersecurity Risk Policy*, which establishes a global framework for the control and management of cybersecurity risks common to the entire group, coordinated by a Cybersecurity Committee and based on the development of global norms and standards applicable to all businesses. In particular, it refers to the risk of threats and vulnerabilities that affect control systems or information and communications systems, as well as any other asset that is part of the cyber infrastructure. It also includes a commitment to report risks and incidents clearly and transparently. It was last revised and updated in April 2022.
- *Corporate Security Policy*, establishes the basic principles of action that must govern the group to guarantee the effective protection of people, physical and logical assets, and critical infrastructure and information. It must also protect the privacy of processed data, ensuring a reasonable level of security, resiliency and compliance. In addition, it confirms the group's firm commitment to excellence when it comes to the security of people, physical and logical assets, and critical infrastructures and information, ensuring at all times that security actions are fully in keeping with the law and scrupulously comply with the provisions of the *Policy on Respect for Human Rights*.
- Environmental Policies: *Sustainable Management Policy*, *Environmental Policy*, *Biodiversity Policy* and *Climate Action Policy*, given that the interrelation between environmental issues and human rights are key to the latter.

The process of continuous review and improvement of Iberdrola's regulatory framework has been recognized by the *BHRRC's Renewable Energy and Human Rights Index*, stating that the company "is showing progress in adopting adequate human rights policies".





# 3. HUMAN RIGHTS DUE DILIGENCE



**UNGP 15:** In order to meet their responsibility to respect human rights, business enterprises should have in place policies and processes appropriate to their size and circumstances, including:

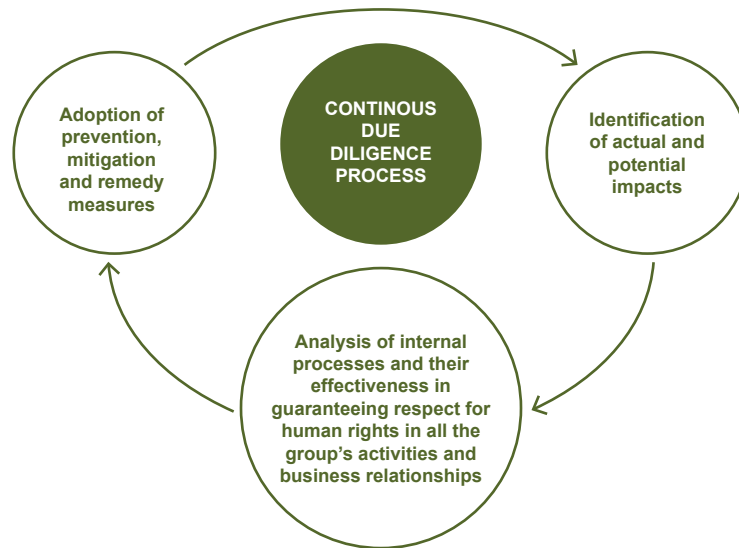
- A policy commitment to meet their responsibility to respect human rights;
- A human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights;
- Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.

**UNGP 17:** In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed. Human rights due diligence:

- Should cover adverse human rights impacts that the business enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by its business relationships;
- Will vary in complexity with the size of the business enterprise, the risk of severe human rights impacts, and the nature and context of its operations;
- Should be ongoing, recognizing that the human rights risks may change over time as the business enterprise's operations and operating context evolve.

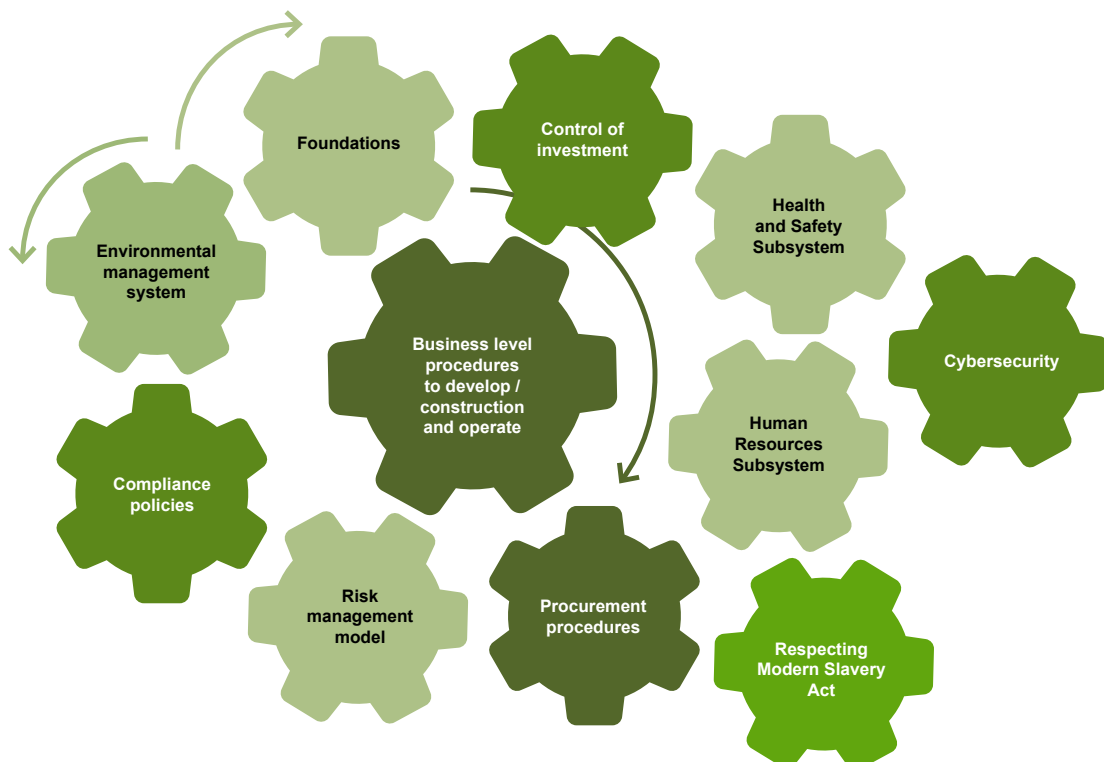
In accordance with these principles, Iberdrola understands the Human rights due diligence system as an ongoing process aimed at identifying and managing the risks and impacts associated with the development of its operations in all phases (planning, construction, operation, maintenance and closure of facilities of the electricity and energy sector), taking into account the geographical and social framework, and the features of its supply chain.

### Continuous due diligence system



As a consequence of adopting of a broad definition of human rights, which entails a great diversity of issues and potential impacts, the group's Human rights due diligence system is supported by various sub-systems and their corresponding procedures (for example, Compliance, Health and Safety, Environmental, Purchasing, Cybersecurity, among others), which handle the matters they are responsible for. Annually, it is assessed that these subsystems adequately cover these issues from a human rights perspective. The ultimate goal is to facilitate autonomous and efficient management of each area consistent with an integrated and cross-cutting vision of all human rights issues.

### Integration of human rights management subsystems







## 3.1. IDENTIFICATION OF IMPACTS

The identification of potential and actual impacts on human rights is the first step in any due diligence system and, consequently, the Iberdrola group allocates resources and experience seeking to obtain an in-depth and robust analysis.

### 3.1.1. Methodology

**UNGP 18.** In order to gauge human rights risks, business enterprises should identify and assess any actual or potential adverse human rights impacts with which they may be involved either through their own activities or as a result of their business relationships. This process should:

- Draw on internal and/or independent external human rights expertise;
- Involve meaningful consultation with potentially affected groups and other relevant Stakeholders, as appropriate to the size of the business enterprise and the nature and context of the operation.

In order to identify the actual and potential impacts on human rights, Iberdrola undertakes detailed analyses that are carried out by independent experts, as well as substantial consultations with potentially affected Stakeholders, paying special attention to any vulnerable groups that may be exposed to greater risks, as established by the UNGPs.

**Potential impacts** must be addressed with prevention or mitigation measures (see the [Mitigation Measures](#) section), while **real impacts**, that is, those that have already occurred, deserve remedy (see the section on [Commitment to remedy](#)).

#### *Detailed analysis by independent experts*

In 2019, with the aim of obtaining a more precise picture of the group's risk of impacting on human rights, Iberdrola commissioned an independent expert organization to identify actual and potential impacts as the first phase of a broader analysis of its due diligence system. The methodology for identifying potential impacts considered the operational context (country risk) as well as the activity sector (sector risk) in accordance with the recommendations of the UNGPs and their *Interpretative Guide*. This process included all the countries the company operates in, including the five main subsidiaries of the group and the countries where it carries out procurement.

The annual review of the *Human rights risk map* of the Iberdrola group in 2021 was carried out by an independent expert organization, that incorporates the particularities of Iberdrola's specific activity, identifying impacts in a manner that is better adjusted to the **company's activity** in each country that is analyzed. The objective of this exercise has been to identify more accurately the possible adverse consequences on people in a specific context and in relation to each phase of operation. A distinction is made between planning, construction, operation and decommissioning activities, given that, in general, the construction phase entails higher potential impacts.



As part of the risk analysis in the sector, Iberdrola also considers, among other information, the index prepared by BSR (Business for Social Responsibility). It identifies 10 human rights priorities for the power and utilities sector. These priorities are: emergency response and community safety; bribery and corruption; health and safety; employee discrimination; collective bargaining; land acquisition and resettlement; local community livelihoods; security forces; vulnerable consumers; grievance mechanisms and the right to remedy.

### ***Substantive consultations with potentially affected Stakeholders***

Dialogue with Stakeholders is another main source of information for identifying impacts. This is carried out in the context of regular operations and through specific one-off consultations. The implemented [\*Global Stakeholder Engagement Model\*](#) is an internal tool that promotes continuous dialogue and facilitates the analysis of its outcomes and subsequent decisionmaking.

Another source of information is the [\*Materiality study\*](#), prepared annually by independent experts since 2006. Its purpose is to identify relevant issues, both for Stakeholders and for Iberdrola, allowing for the assessment and analysis of any variations in the materiality matrix from year to year. This study influences the contents of the company's public information, its ESG strategy and its management system.

The study is completed by analyzing the expectations of Iberdrola's Stakeholders with regards to the company's performance, with requirements from investor associations (CERES, Climate Action 100+...) or from sustainability benchmarks or ratings (DJSI, CDP, SASB...), as well as the study of sector trends in the field of Sustainability and Social Responsibility. For more information on the results of this study, see page 223 of the [\*SNFI \(Statement of non-financial information. Sustainability Report\)\*](#).

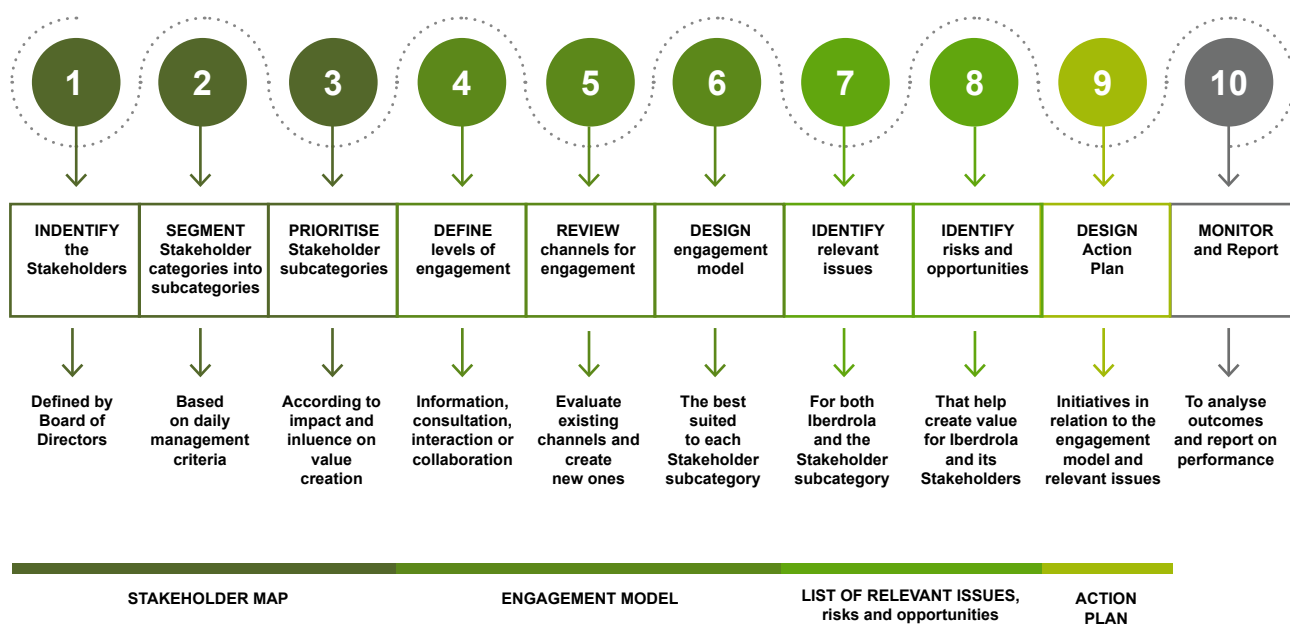
### ***The Global Stakeholder Engagement Model***

Iberdrola promotes solid relationships of trust with its Stakeholders both through its [\*Stakeholder Engagement Policy\*](#) and its [\*Global Stakeholder Engagement Model\*](#).

The following graph shows the different stages of this model, which the human rights system refers to in order to collect information, validate or monitor specific issues in this area.



### Global Stakeholder Engagement Model



- In the *BHRRC's Renewable Energy and Human Rights Benchmark* (2021) Iberdrola is the only company receiving the highest score for involving Stakeholders in the development of its human rights approach.
- The *Global Stakeholder Engagement Model* has been recognized as an example of best practice at international level by the Dow Jones Sustainability Index (DJSI).

Specifically, Iberdrola articulates its conversation on human rights with respect to its main Stakeholders as follows:

- The group's workers have access to participative processes, through consultations, communications or ethical mailboxes, in relation to matters of health and safety at work, trade union dialogue through the Labor relations management model, etc.
- The relationship with suppliers is based on constant dialogue, including satisfaction and self-assessment surveys and other communication channels, within an environment of support and collaboration in improvement programs that seek to guarantee respect for human rights in supply chains.
- Regarding communities, the company maintains relationships with communities during all phases of a project (as well as with local authorities and other relevant groups). Furthermore, the company establishes dialogue channels through which the communities can send any doubts, complaints, requests of information, requests regarding impacts, or other concerns or suggestions. Although the specific queries may vary depending on the country and the type of installation, the rights of indigenous peoples receive particular attention.
- When it comes to taking action in relation to investment partners who have operational control of facilities that the group has a stake in, aligning their policies with those of the group is promoted through their representatives in their respective management bodies.



This focus on the involvement of Stakeholders from the beginning of projects further pursues the objective of identifying good practices in relation to the identification of impacts. These are shared throughout the group as a source of continuous learning and a driver of improvement.

Moreover, the Stakeholder panels constitute a useful and effective tool. These are common practice at National Grid in the UK, while a Corporate Social Responsibility Stakeholders Panel was created in Spain in 2019, made up of 10 prominent external panelists. In addition, a global working group called Iberdrola Stakeholders' Hub further supports the consolidation of an internal culture of placing importance on Stakeholder engagement.

For more information on Iberdrola's relations with Stakeholders or the good practices for relations and dialogue with communities in each country, see the Approach for Stakeholder Engagement section of the [\*Statement of Non-Financial Information\*](#) (SNFI) - Sustainability Report (Page 174).

### 3.1.2. Identified human rights impacts

The methodology to identify impacts on human rights at Iberdrola has made it possible to establish the following 3 types of impacts:

- Potential impacts
- Relevant issues ("salient issues")
- Prioritized issues

#### 1. Potential impacts (UNGP 17)

Issues with a potential impact on human rights ("potential impacts") are those that could occur due to the nature of the business itself (sector risk), the countries in which the company operates (country risk) as well as other additional factors. The potential impacts have not materialized, but the company is proactively implementing prevention and mitigation measures in this regard.

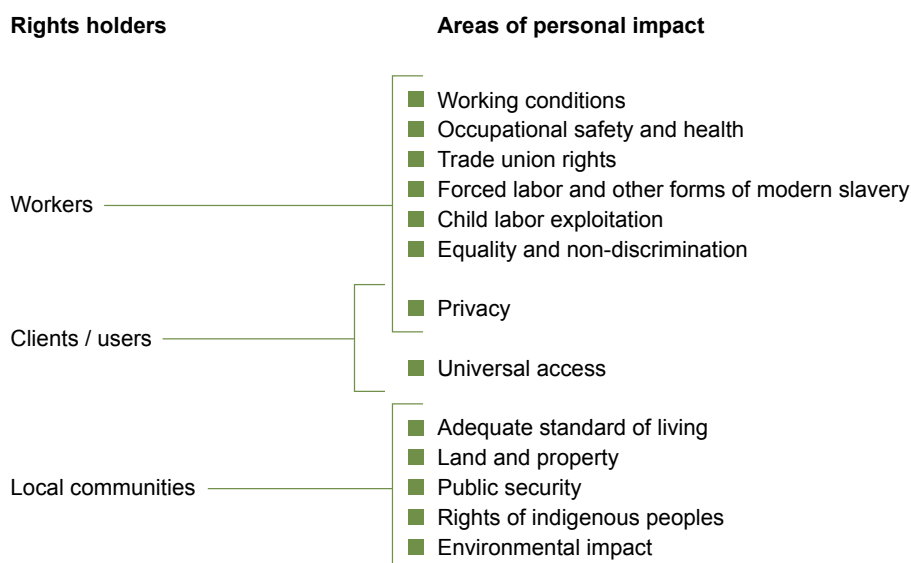
The last Iberdrola group's *Human rights risk map* update exercise was carried out in 2021, covering the 21 countries where the group operates, as well as the 40 countries where it engages in procurement.

Following the identification of 13 areas of potential impact, an average of 5 indicators of commitment to international human rights instruments were analyzed for each of them: 23 on national regulation, as well as 22 that refer to violations of human rights in practice in a particular country. The potential impact is calculated on the basis of quantitative indicators that allow for a comparison between countries. The human rights situation depends, on the one hand, on states' protecting them and, on the other hand, on the behavior of companies and other actors.

The areas of potential impact and the Stakeholders that are affected are described in the graph below.



### Areas of potential impact and Stakeholders rights-holders



### Description of potential impacts

- **Working conditions:** the violation of rights in selection processes, hiring, remuneration (minimum salary, decent salary or vital minimum) and management of the quality of employment, for example, those related to working hours, treatment and decent work, training, promotion, transfers, rest and family conciliation. Also, in relation to the enjoyment of protection systems and social security.
- **Occupational safety and health:** relating to the prevention of risks and accidents at work, the promotion and maintenance of the highest possible degree of physical, mental and social wellbeing of workers, the protection of workers in their workplace against adverse factors for health, and maintaining a work environment that is adapted to physical or mental health needs.
- **Trade union rights:** limits to trade union rights and the rights to organize, collective bargaining and to strike. Also those activities related to the right to free expression, assembly, association, etc., that might be developed individually or not articulated through unions.
- **Forced labor:** coercion through the use of violence or intimidation, or by more subtle means, such as debt bondage, withholding of identity documents, or threats of reporting to migration authorities. Modern forms of slavery also include human trafficking, sexual exploitation, forced marriage or organ trafficking.
- **Child labor exploitation:** child labor is considered to be, for those between 5 and 11 years of age, at least one hour per week of paid work or 28 hours per week of domestic work; between 12 and 14 years, at least 14 hours per week of paid work or 28 hours per week of domestic work; and between 15 and 17 years, at least 43 hours of paid work or domestic work per week. Child slavery takes its own forms, such as child soldiers, child marriage and domestic servitude.
- **Equality and non-discrimination:** the adverse impacts related to discrimination can occur in all previous contexts of the workplace. Human rights are universal and all individuals have the right to enjoy them on equal terms. In addition, discrimination can occur when the violation of a right is linked to a collective characteristic, such as, for example, being a woman, a migrant or a person with a disability.



- **Privacy:** impacts resulting from monitoring communications and the collection, storage and management of personal data of clients, workers and third parties. They can be the result of company-established procedures, misuse by workers, or an external cyberattack. Also, the risk of discrimination and affecting personal autonomy and civil rights through surveillance and supervision of the behavior of workers (e.g., cameras, computer equipment) and users (e.g., smart meters, internet of things -IoT). Consequences of the appropriation, analysis and commercialization of data.
- **Universal access:** barriers to access to energy due to limitations in electrification/ connectivity or poor quality, security or the reliability of the service. Affordability issues, due to pricing policies or other reasons. Equity in the distribution and management of consumer rights and vulnerable clients. Hiring, billing, collection, payment and debt management, personal attention. Abusive or fraudulent sales practices.
- **Adequate standard of living:** the enjoyment of an adequate standard of living refers to access, at a subsistence level, to food, clean water and sanitation, shelter and clothing. The most serious impacts are hunger and poverty. The rights to work, private property, health, social protection and economic rights, generally, are intimately linked, as well as access to means of subsistence, for example, to natural resources or vital markets and infrastructure (see below Land and property).
- **Land and property:** the effects of voluntary transfers or land expropriation, such as the eviction, displacement or resettlement of people and the resulting consequences on housing, and the enjoyment of other social or economic goods (e.g., access to public services, markets). Legal restrictions or physical obstacles to accessing water resources, forestry, agriculture, etc. Impacts on food and economic security. Land rights and the right to private property, in this context, are subordinated to the right to food, water, housing and others. In rural settings, these rights tend to be closely linked. But ultimately, the adverse impact can occur under different systems of property and rights of use, access or decision. It can occur, for example, due to the expropriation or dispossession of land, voluntary or forced, due to socio-economic disruptions (e.g., land prices), or due to obstacles to the use of these resources (e.g., environmental erosion, physical barriers of infrastructure). In short, legal compliance regarding private property can obscure an impact on people's standard of living.
- **Public safety:** it refers to a specific case of impacts on local communities. The consequences can be very serious and managing them can be especially delicate. It usually takes the form of violence and serious intimidation (e.g., murder, kidnapping, threats, etc.) against members of local communities, social leaders, human rights or environmental activists, trade unionists, etc. The breach can be committed by security personnel hired by the company, local criminal groups, or even state agents, such as the police or the military. It is especially relevant in contexts of armed conflict, criminality and militarization.
- **Indigenous peoples:** impacts related to land ownership, access to resources or of a socio-cultural nature, but insofar as they affect specially protected communities. They may be associated with a lack of prior consultation on the company's activities, a consent that is of very weak legitimacy or inadequate compensation.
- **Environmental impact:** risks to health and to the enjoyment of other rights and activities: pollutants, environmental degradation (e.g., spills, waste, fires), noise pollution, electromagnetic fields. Impact on local habitat and wildlife (e.g., overhead and underground lines). Emissions and the production of hazardous materials, including those associated with the extraction, manufacturing, transportation, construction, operation, storage and dismantling of equipment and materials. Effects on ecosystems,

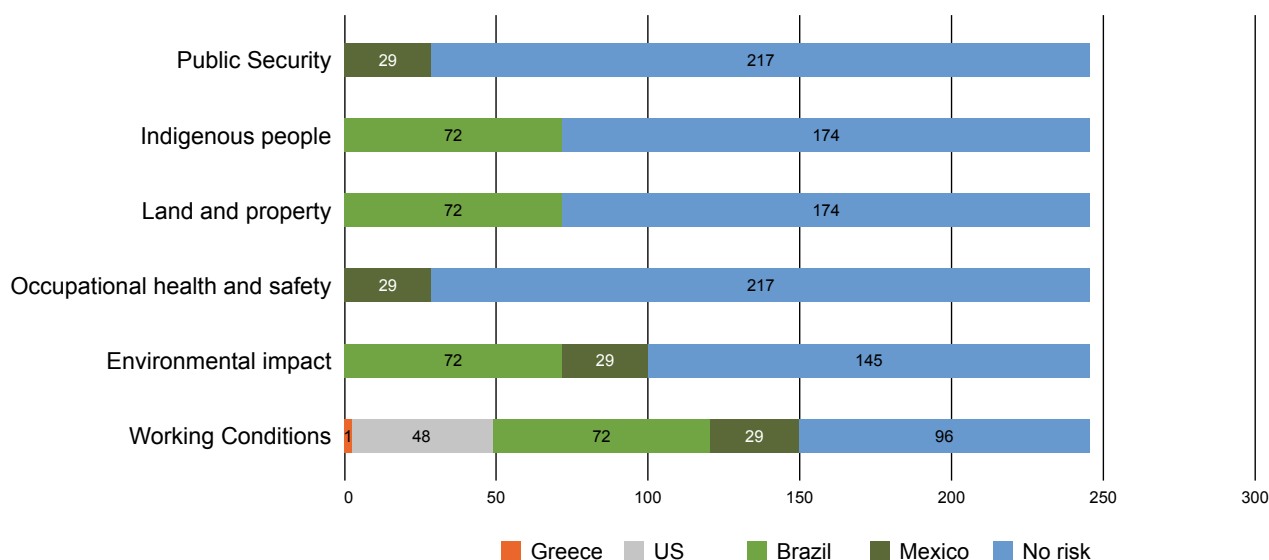


biodiversity caused by natural or human catastrophes and other major operational risks. Contribution to climate change.

This analysis also yields results on the potential impacts regarding the **246 main centers of activity** with the following conclusions:

- Of the 246 main centers of activity analyzed throughout the group (100% of the main centers), **none present risks of non-compliance with collective bargaining, forced labor or child labor exploitation.**
- The centers located in the United States, Brazil, Mexico and Greece (150 centers corresponding to 61% of the total) **present a possibility of risk in some of the following matters:** working conditions; occupational safety and health; impacts derived from environmental risk; public security; indigenous peoples or land and property, as illustrated in the following table:

**Potential risks in the main centres of activity by country**



## 2. Relevant issues (“salient issues”) (UNGP 17)

The UNGPs set out the criteria to determine which are “salient issues”. Under the UNGPs severity of impacts, an issue is judged against a number of factors, the main ones being scale, scope and remediability, whereby:

- **Scale:** how grave or serious the adverse consequences for rights holders.
- **Scope:** how widespread or the number or proportion of affected persons or groups.
- **Remediability:** the ability to restore those affected to their situation before the impact. Some impacts are irremediable (e.g., loss of life). The greater the severity and scope, the less remedial the impacts.





In this assessment, the probability of impact occurring is also considered, as well as the degree of the company's connection to it, according to the UNGPs ("causes", "contributes to causing" or "is related to").

To enable business to assess their human rights impacts accurately, they should seek to understand the concerns of potentially affected Stakeholders by consulting them. According to these relevant factors established by the UNGPs and the Stakeholders consulted, the main relevant human rights issues for Iberdrola are:

- Labor practices.
- Local communities and the rights of indigenous peoples (including the environment).
- Cybersecurity and information privacy.
- Public insecurity and labor practices in the contracting of security services.

With regards to the UNGPs Reporting Framework, it should be noted that, in 2021, no serious impacts falling outside of the company's salient human rights issues occurred in the company's countries of operation or supply.

Some examples of management of the relevant impacts are described below:

### Health and safety

The group has an Occupational Safety and Health Risk Policy approved by the company's Board of Directors. Likewise, from the beginning of the pandemic caused by COVID-19 in 2020, the company adopted extraordinary measures to combat it.

As a key tool to reach an accident rate of zero and the best safety conditions at work, Iberdrola has a Strategic Occupational Safety and Health Plan that builds on the corporate policy for occupational risk prevention with the following basic objectives:

- Achieve a progressive reduction in accident rates in Iberdrola group's businesses.
- Continue to improve safety conditions at work and make workplaces consistently healthier.
- Promote a culture of excellence and coordinate global preventive action across the group's companies.

An occupational safety and health management system has been, or is in the process of being established in all countries. The system is designed in accordance with the international standard ISO 45001, as well as the legal requirements that apply at local level.

Likewise, Iberdrola has established processes to identify hazards for occupational safety and health, as well as assess and prevent occupational risks in all the countries it operates in. These processes are subject to control through internal and external audits to guarantee their quality and effectiveness. In addition, the results of such audits and controls are used to elaborate action plans, develop improvements to the management system and communicate on best practices.

On the other hand, Iberdrola makes available to all workers a system that enables them to report hazards or hazardous situations at work. The notification processes are specific to each location (e.g., through the Employee Portal in Spain, through the chain of command in the United States, etc.). Given the preventive culture that exists in Iberdrola, in no case can these communications lead to retaliation or prejudice against the worker.





In line with this culture, all workers are strongly encouraged, in all circumstances, to refrain from performing or giving greater priority to a job that involves risk without the necessary means and knowledge to mitigate or eliminate the effects of that risk. Thus, in all locations, workers have the right to speak up and stop, or walk away from any job they deem to be an unsafe situation. Finally, when an incident is reported in a country, the root causes and contributing factors are investigated, and general procedures are applied to follow up and bring the corrective actions derived from said investigation to completion (through the hierarchy of controls derived from legislation in force).

### Modern forms of slavery

Despite most countries lacking legislation on modern forms of slavery, this is a highly relevant issue on the international agenda, as evidenced by various legislative and multi-Stakeholder initiatives.

For more information, see the [\*Integration of measures regarding workers, communities and supply chain\*](#) section.

### Cybersecurity

Iberdrola makes use of technological, physical and digital infrastructure to support its processes and operations. This increasingly broad and diverse structure could lead to human rights impacts related to the collection, storage, and management of customer, employee, and third-party data.

Iberdrola has a cybersecurity governance model on which the [\*Cybersecurity Risk Policy\*](#) is based. The policy commits to developing the necessary actions to promote a solid cybersecurity culture and assign responsibilities in the different business areas, under the supervision of the Global Cybersecurity Office.

The different businesses and areas define, implement and prioritize the necessary technical or organizational measures based on the analysis of cybersecurity risks in their respective areas of responsibility, focusing on the systems that support critical infrastructures and essential services, personal data and other sensitive information, as well as other business-critical processes.

As part of this responsibility, Iberdrola actively collaborates with state security forces and bodies, government agencies, suppliers, other companies, and sector expert groups in order to continuously strengthen and improve its own cybersecurity capabilities, and to improve the cyber resilience of the energy ecosystem as a whole.

Among other measures, the company pays special attention to protecting the privacy of Stakeholders' personal information. To this effect, the group's Personal Data Protection Policy, aligned with the European General Data Protection Regulation (GDPR), seeks to guarantee the right to data protection of all natural persons related to any of the group companies, ensuring respect for the right to honor and privacy in personal data processing. Furthermore, it sets out common principles and guidelines for action, guaranteeing compliance with applicable legislation on this matter in the countries where the group is present.

Throughout 2018 and 2019, a **data protection management system** was implemented in the group, as a key tool to deliver systematic and continuous compliance over time, both with the GDPR and with the [\*Binding Corporate Rules\*](#), as well as the applicable legislation affecting personal data protection in each country of operation. This management system has been reviewed within the framework of continuous improvement, through the development of an external evaluation plan.



In a digital world like the current one, the number of cyberattacks continues to increase. The company is aware of the rapid evolution of the ways in which these can take place and, despite the measures undertaken, Iberdrola has been the subject of events of this type (see section *Reparation measures in relation to clients* in the chapter [Commitment to remedy](#)). The most recent attack took place in March 2022, affecting certain data of 1.3 million clients in Spain.

### 3. Prioritized issues

The “prioritized issues” are those for which an action plan is established based on their relevance and on how the Human rights due diligence system addresses them in order to cover possible management gaps.

A few examples are listed below:

- Labor practices (including supply chain)
- Innovation, digitization and cybersecurity
- Local communities and indigenous peoples (including environment)
- Quality of supply and universal access to energy

It may be the case that potential issues are not considered relevant due to the nature of the business' relationship with them. This is the case of vulnerable clients, whereby Iberdrola pursues a proactive attitude of collaboration with public authorities, different entities and NGOs to provide economically disadvantaged people with access to energy.

#### Quality of supply and universal access to energy

Iberdrola understands quality of supply as the guarantee of ensuring a quality, safe and reliable supply through its generation plants and transmission and distribution networks. The effects of a failing to keep to these principles can affect the human rights of its clients and hinder access to a wide range of basic services.

The [General Sustainable Development Policy](#) assumes the creation of sustainable value as a fundamental principle, highlighting the promotion of universal access to energy supply as a line of action. In addition, it pays attention to clients who are economically disadvantaged or in a situation of vulnerability, envisaging specific protection procedures to provide continued access to an energy supply. This is essential for protecting certain fundamental rights, such as an adequate standard of living or the right to food.

The global COVID-19 pandemic, and not least the rise in the final price of energy due to the increase in the price of commodities and other international factors, has led to growing strains among certain social groups suffering from energy issues.

With the aim of ensuring universal access to an energy supply, Iberdrola group companies undertake different measures, such as extending payment periods, making payment conditions more flexible, or avoiding the suspension of supply due to non-payment to economically disadvantaged people, or those who have been declared vulnerable for reasons of age, their health or a disability, or another serious reason.



In the main countries where the group supplies energy to domestic clients, there are initiatives or programs aimed at those groups, such as, for example in Spain (with the Electricity Social Bonus- *Bono Social de Electricidad*), Brazil (Electric Energy Social Rate - *Tarifa Social de Energía eléctrica*), United Kingdom (Warm Home Discount), United States (Government Energy Assistance Programs, and Hardship & Low Income Program and Hardship & Low Income Program (company sponsored), and Italy (Social Bonus - *Bono Social*).

#### Good practice

##### Rural electrification in Brazil

In Brazil, Neoenergia has been developing rural electrification programs in collaboration with Public Administrations, as an instrument for the development and social inclusion of rural households excluded from the provision of electricity services. The funds allocated to these programs in 2021 represented 51 million euros in consolidated terms for the group, with 2.4 million people benefiting from the program.



### 3.1.3. Iberdrola's response to emerging and global issues

Further to the analysis of potential and actual impacts, Iberdrola continuously identifies emerging issues and follows some global issues due to their connection to human rights matters relevant to the company.

Some examples of emerging human rights issues are shown in the table below. These may result from tensions related to the use of new technologies, resources and materials, the absence of specific regulation or the emergence of new conceptual frameworks that are yet to be defined. Therefore, the company pays special attention to them in order to assess their possible future link with the map of potential impacts.

#### Emerging human rights issues

- Social pressure on the change of land use for wind and photovoltaic installations.
- Issues relating to privacy, data protection and ethics in the use of algorithms and artificial intelligence in relation to smart meters, the internet of things, electric cars and smart cities.
- New forms of security threats, cybersecurity and hybrid security of critical infrastructures.
- Impacts on the supply chain arising from the increasing use of metals and minerals for wind and photovoltaic energy generation and storage.
- Greater scope in defining and extending the regulatory concepts of forced labor and fair wages.
- Ethics and integrity due to sociopolitical and regulatory developments in certain countries of operation.

On the other hand, in the context of a global agenda that includes threats of great relevance for our societies, Iberdrola has established ad hoc measures and action plans. These have the aim of ensuring that links between two specific issues and the analysis of their impact are understood, and of establishing mitigation measures in their area of influence. These are, human rights and the climate crisis, and the effect of COVID-19 on the protection of health and labor rights.

### Human rights and climate action

Climate change interferes at a global level, directly and indirectly, with the enjoyment of a number of human rights, such as the right to water, health and an adequate standard of living.

In addition, the impacts of climate change exacerbate inequalities that disproportionately affect certain individuals, groups and populations that are already in situations of vulnerability.

Our societies need to decarbonize their production systems, and the energy transition is a fundamental tool – although not the only one – to reverse the climate crisis we face and meet the Paris Agreement goal of limiting global warming to 1.5°C (34.7°F). Without urgent climate action, we will experience more extreme weather events, sea level rise and far-reaching adverse impacts on ecosystems, impacting each and every one of us for decades to come.

Companies must have a central role in the fight against climate change. Iberdrola is making a decisive contribution, leading the way towards a decarbonized and resilient economy, through a sustainable and



efficient business model. In this context, the company is also aware of the urgent need to implement strategies that support workers, companies and communities during the transition to greener economies, in line with the Just Transition Declaration, agreed at the UN Climate Change Conference (COP26) held in Glasgow in 2021.

Iberdrola recognizes the fight against climate change as a strategic pillar of its activity and, in order to develop its commitment, it has a [Climate Action Policy](#) and a climate action plan with six lines of action. The actions developed to prevent, mitigate and adapt to climate change are based on environmental standards and principles and integrate internationally recognized human rights standards.

After having been ahead of the current energy transition by 20 years, Iberdrola group plans to invest more than 150 billion euros by 2030, and thus remain at the forefront of the energy revolution that the world's main economies are facing.

In recognition of all of the above, Iberdrola leads, in 2021 and for the second consecutive year, the [BHRRC's Renewable Energy and Human Rights Benchmark](#), which evaluates the 15 largest listed companies in wind and solar energy production in the world, with respect to their human rights practices.

For more information, see the section on the website on [Sustainability and Energy Transition](#).

### COVID-19: Protecting people's health

Due to the magnitude and the severity of the COVID-19 pandemic and following the analysis of potential and real impacts on employees, on the supply chain, clients and users, and on society as a whole, Iberdrola focused its efforts not only in business continuity, but also in the protection of human rights, through the launching of a *Global action plan against the pandemic*.

Public services, including electricity, are essential for health, safety and daily life. The public health emergency triggered by COVID-19 pandemic reinforced the essential nature of the public service provided by the company. Operations were maintained during the crisis, fulfilling commitments to the company's Stakeholders with an action plan to guarantee the maintenance and quality of the supply, in addition to protecting the safety and health of people in the different countries in which it operates.

Iberdrola group activated this plan the moment the threat became perceptible initially. The company — which supplies energy to more than 100 million people— implemented more than 150 measures globally to ensure supply in all territories and to all its clients, and to reinforce the service to 350 hospitals, health centers and other essential infrastructure. In addition, in coordination with the authorities, Iberdrola donated 400 assistive breathing devices, more than 4 million masks, 242,000 protection overalls and 30,000 protective glasses worth 30 million euros.

Likewise, the company approved temporary solutions to make it easier for its clients to pay bills and maintain the supply to vulnerable users, especially the elderly and people with disabilities, in addition to reinforcing and promoting digital customer service channels in all countries.

The action protocols were the first certified by AENOR worldwide and the incidence rate of the disease among workers was much lower than the average of the countries where the company is present. According to a report by Merco, Iberdrola is the company in the electricity sector that has shown the greatest commitment and social responsibility in the face of COVID-19.

Iberdrola's suppliers gave a very positive assessment of the group actions in response to the COVID-19 crisis, according to the 2020 *Supplier Satisfaction Survey*. The average score given to Iberdrola's response



to the health crisis was 7.91 out of 10. In this survey, suppliers were also asked to respond about the impact that the pandemic was having on their activity, specifically in areas such as employment, problems in the supply chain, financing and impacts on their business models.

Iberdrola has made purchases worth 18 billion euros since the start of the pandemic in order to support companies and facilitate the continuity of activity at a time of great uncertainty, thus giving visibility to a supply chain that generates 400,000 jobs worldwide, and one which will be around 500,000 by 2025.

## 3.2. INTEGRATION OF RESPECT FOR HUMAN RIGHTS

**UNGP 19:** In order to prevent and mitigate adverse human rights impacts, business enterprises should integrate the findings from their impact assessments across relevant internal functions and processes, and take appropriate action.

- Effective integration requires that:
  - Responsibility for addressing such impacts is assigned to the appropriate level and function within the business enterprise;
  - Internal decision-making, budget allocations and oversight processes enable effective responses to such impacts.
- Appropriate action will vary according to:
  - Whether the business enterprise causes or contributes to an adverse impact, or whether it is involved solely because the impact is directly linked to its operations, products or services by a business relationship;
  - The extent of its leverage in addressing the adverse impact.

**UNGP 24:** Where it is necessary to prioritize actions to address actual and potential adverse human rights impacts, business enterprises should first seek to prevent and mitigate those that are most severe or where delayed response would make them irremediable.

According to the UNGPs, once the potential impacts have been identified, the necessary steps must be taken to prevent and mitigate them through a horizontal integration of findings across the company. “Integration” is the process that consists of collecting the results related to a possible adverse consequence and determining which areas should adopt effective measures to prevent and mitigate it.





### 3.2.1. Integration of measures regarding workers, communities and supply chain

Some examples of how Iberdrola integrates the management of respect for human rights in relation to three Stakeholders are provided below:

- Workers
- Communities
- Supply chain

#### a. Workers

People are the company's main value. The group's professionals form a global, multicultural, committed, and qualified team that contributes, through their work and talent, to the creation of sustainable value. This translates into a commitment to job stability, with almost 100% of permanent contracts, and to delivering opportunities to young people under 30 years of age. In 2021, this age group represented 40% of new hirings.

For Iberdrola, it is a priority to guarantee a safe workplace for its employees in accordance with the highest standards in all its businesses and countries of operation.

#### Labor conditions

##### Living wage

Wages are one of the most important working conditions. Although there is no universally accepted definition of a "living wage", nor a universally accepted monetary amount that defines such remuneration, there is a broad consensus on what constitutes a living wage: a wage that allows workers and their families to meet their basic needs.

In this regard, according to Iberdrola's general principle of action and commitment to good employment standards, the company ensures a living wage above the minimum wage in its countries of operation, as detailed in the following table.

#### Good practice

##### **Living wage above the legal minimum**

In the different locations where Iberdrola operates, all wages are above the legal minimum wage. In Mexico, the minimum wage is not generally used as a reference for market wages, but is enforced by the labor authority in sanctions, fines and limits on tax deductibility. In this country, the company's entry-level salary is well above the minimum wage. This shows that Iberdrola's wage standards go beyond legal requirements, making the promotion and delivery of fair wages and dignity an essential aspect of decent work to be guaranteed to all workers.



### Safety and health

The **safety and health of workers** is a priority and non-negotiable objective of the Iberdrola group. The Global Occupational Health and Safety Department defines the global strategy and objectives to standardize the requirements and standards in this area in all the countries where the company operates. To strive for zero accident rate and the best safety conditions at work, Iberdrola has established a *Strategic Global Safety and Health Strategic Plan 2019-2022*. This develops the corporate policy for the prevention of occupational risks.

Iberdrola offers health services at all its locations to eliminate hazards and identified risks for its workers. Monitoring of occupational health is carried out through the company's own means in each country, always guaranteeing the confidentiality of personal data. Furthermore, this is complemented with information campaigns and events to promote healthy living, vaccination campaigns and medical check-ups, depending on the location.

As per the 2020 data, and taking into account the increase of hours worked in the 2021 financial year, statistics have improved significantly compared to the previous year when looking at the frequency of accidents with sick leave. There was only a slight rise in first aid cases, and these do not affect the marked improvement of the injury rate in the occupational accidents.

#### Good practice

##### **Promotion of the health of workers**

Iberdrola offers opportunities to promote the healthy living of workers. The company organizes after work activities that are promoted through the corporate intranet, as well as the sponsorship of sports teams, etc.

Depending on the country, Iberdrola offers health coverage, medical expense policies, life insurance and health advice to workers and close family members through arrangements with private companies. In addition to this, the company seeks to engage staff in health, fitness and wellness activities.

In order to mitigate non-work-related health risks, Iberdrola offers its workers optional services and programs to promote healthy living. They launch awareness campaigns for healthy living (smoking, eating, etc.) and disease prevention (mental health, cancer, cardiovascular diseases, vaccination campaigns, etc.) as well as offer benefits and incentives to access sports facilities or activities.

### Right to mental health

For Iberdrola, mental health is especially important in times of change and uncertainty such as the present, which has been particularly impacted by the COVID-19 pandemic. Therefore, and in line with the company's aspiration to adhere to the highest international standards of respect for the right to health, several policies have been modified in 2022. This is to balance the company's standards in terms of physical health with mental health, and emotional, psychological, and social well-being are focal points of this program.

**Good practice****Putting the focus on mental health**

The right to the highest attainable standard of physical and mental health is a fundamental human right that is indispensable for the exercise of other rights. In the context of COVID-19 especially, but even before, mental health has been a major focus for ScottishPower. The company has developed extensive worker surveys on mental health issues and has established a worker assistance helpline and offers training for mental health first aid in a work environment that encourages an open and nurturing conversation on workers wellbeing.

**Diversity and inclusion**

Iberdrola carries out strategic actions to guarantee the company's objective of guaranteeing diversity, inclusion, non-discrimination and equal opportunities for workers, clients and suppliers. This is to advance towards a more diverse and inclusive society in the countries in which it is present.

All the companies of the Iberdrola group put into practice the principles established in various policies (such as the [Human resources and capital framework policy](#), the [Selection and hiring policy](#) or the [Equality, diversity and inclusion policy](#)). These policies aim to avoid any discrimination based on gender, gender identity, age, origin, race, color, language, religion, political opinion, social status, belonging to an indigenous community, disability, health, marital status, pregnancy, sexual orientation or other condition of the person who is not related to the requirements to perform their job.

At the highest level of governance of the company, the [Board of directors diversity and member selection policy](#) is reflected in the current the Board of Directors, which integrates capacities, nationalities and diverse genders with women making up 43% of the board members, and more than 50% of the independent directors.

On a day-to-day basis, Iberdrola ensures that the processes related to the selection, recruitment, management of labor relations, training and promotion of professionals in which artificial intelligence is used do not suffer from biases that violate the mentioned objectives and principles, nor limit transparency and/or traceability of the results.

Additionally, each sub holding company has specific plans and policies to guarantee the management of the most relevant challenges within the company (e.g., policies to prevent discrimination against any type of group, policies to prevent harassment, etc.). Workers can report behaviors that are susceptible of amounting to discrimination through the ethics mailbox, as well as through their corresponding headquarters or the People and Organization Department.

In 2021, Iberdrola has been named by the *Merco Talento España Ranking* as the energy company with the greatest capacity to attract and retain talent. The surveys by workers, students, people and organization managers and other Stakeholders in this ranking allow the company to integrate their opinions regarding job quality, the company's corporate and tax responsibility, its relationship with customers, society in general and the environment. The survey also includes questions about corporate governance and employees, including inclusion and equality.

The actions that Avangrid has taken in pursuit of equality, diversity and inclusion both internally and in relation to its value chain can be highlighted. Below are some examples of its Supplier Diversity Program.

**Good practices****Supplier diversity program**

In the United States, AVANGRID has a Program that incorporates the commitment to incorporate into its supplier network and increase purchases to:

- Minority Owned Businesses (MBE)
- Women Owned Businesses (WBE)
- Gay, Lesbian and Transgender (LGBTBI) Owned Businesses
- Veteran Owned Businesses (VET)
- Service-Disabled Veteran-Owned Businesses (SDVET)
- Disadvantaged People Owned Businesses (SDB)
- Business located in a degraded area (HUBZone)
- Alaska Native Corporation
- Indian tribes

**b. Local communities**

Iberdrola has various systems for identifying potential impacts on the local communities surrounding its facilities and has developed the necessary measures to manage these impacts.

The Environmental Impact Assessments (EIA), carried out in the planning phase prior to the construction of the facilities, include an assessment of social impacts in accordance with the applicable legislation in each country. In those countries with indigenous communities, a specific social impact study is also carried out for this group. Both assessments include analysis of potential human rights impacts from an environmental and social perspective.

To assess the potential impacts on the right to a safe, clean, healthy and sustainable environment, an assessment of the natural environment is carried out, including environmental impacts such as emissions, discharges, waste, fires, effects on biodiversity, changes in land use, changes in the aesthetics and quality of the landscape, restriction of access to water resources and forestry.

When it comes to taking action to ensure the fundamental right to enjoy an adequate standard of living, an evaluation of the social and economic environment is also carried out. This evaluation analyses demographic aspects such as the population evolution in surrounding municipalities, the existence of historical and cultural heritage, the increase in the demand for employment in certain sectors and the deterioration or boost of basic infrastructures, such as roads or railway networks, etc.

Below are some examples of how Iberdrola has developed measures in this regard, including actions in relation to indigenous peoples.

**Safety in electrical networks**

The construction, operation and maintenance of electrical infrastructure entails certain risks that, on occasion, can give rise to incidents in which people outside the company may be affected by accidental contact with the network.

**Good practice****Neoenergia's focus on safety with the electricity grid**

The company implements an accessible online program regarding safety to prevent electric shock during the rainy season. Likewise, in 2021, it launched a discussion on safety with the electricity grid in various regions of Brazil, with the main objective being the education and alerting of the public to the risks of the electricity grid and reinforcement of safe behavior. Additional actions will also be developed to disseminate information to society, such as videos with guidelines focused on the main civil construction problems, in order to raise awareness in the parts of society that are still exposed to risk.

**Displacement of population**

During the planning phase of new projects, Iberdrola makes an assessment of the land that will potentially be occupied by the activity, opting for those that involve less displacement of people. The company analyzes the economic, environmental and social consequences of the project in collaboration with the Public Administrations, and consults with the local communities to define the appropriate corrective measures. Likewise, in the case of indigenous communities, channels of dialogue are established with the participation of the State and different organizations that represent them, to report with due transparency and integrity on the project and its effects, and to carry out the necessary consultations.

**Good practice****Improve relocation conditions for families**

For the construction of the Tamega hydroelectric complex (Portugal), Iberdrola evaluates the lands that will potentially be occupied, opting for those that involve less displacement of people. Although those affected will receive financial compensation in accordance with the Expropriation Law of Portugal, Iberdrola, in collaboration with the Portuguese Administration and the Municipal Chambers, has determined financial compensation of 1.4 million Euros in addition to those resulting from the expropriation process, in such a way to improve the rehousing conditions of the affected families and maintain their habits and traditions. To date, 0.5 million of the total Plan has been paid.

The production of solar panels and equipment for the generation of wind power can require large amounts of natural and mineral resources. The production of minerals is widespread and comes, in large part, from countries with limited governance and traceability frameworks. Therefore, it can be difficult to obtain information regarding labor conditions and risks including forced labor, child labor exploitation, increased levels of violence, and risks of corruption or tax evasion. Indigenous communities are often the most vulnerable to impacts caused by mining, since they are mostly susceptible to displacement from their lands and to the loss of their traditional ways of life, their practices, and their cultures.



Iberdrola has made progress in implementing policies and procedures to guarantee responsible sourcing, but due to the complexity of its supply chain in some of its segments, there could be potential impacts related to the extraction of minerals in its value chain and a consequent impact on local communities.

In all cases, Iberdrola is committed to a relationship and dialogue with the communities. Below are some forms of dialogue that the company has developed in its countries of operation.

#### Good practice

##### Dialogue as a tool for managing human rights

Iberdrola is aware of the social and human rights impacts that could arise from its operations. Regardless of the legal obligations in this regard, the company has adopted prevention and mitigation measures in accordance with the UNGPs, both in the procedures for the identification of impacts, and in the execution and evaluation of prevention and mitigation measures.

- In the United Kingdom, ScottishPower actively consults local residents during the development, construction and operation phases of projects. With the goal of empowering communities for the long term, ScottishPower has contributed more than £38 million in community funding to the communities surrounding its operational onshore wind farms in the UK. This funding is directed by local communities towards initiatives that are relevant to the community. With over £7 million invested in Dumfries and Galloway, it has been possible to develop projects related to education, upskilling, increasing employability, sports and leisure, local events, tourism, and renovation of local facilities. To date, ScottishPower has contributed more than £42 million to community activities across the UK.
- In the solar projects under development in the United States, work is being done together with the Yakama Indian Nation to detect issues that may affect the traditional cultural territories near the Bluebird photovoltaic park. This monitoring of issues is also taking place in the Badger Mountain project with the Yakama Indian Nation and the Colville Tribe, as well as in the Tower Road project with the Yakama Indian Nation and the Confederated Tribes of the Umatilla Indian Reservation.
- In Mexico, the “Luces de Esperanza” project is being developed together with indigenous communities to deliver solar energy electrification solutions to rural communities that lack access to electricity in the Huasteca Potosina, San Juan Guichicovi and Matías Romero. In 2021, this benefitted more than 400 people and 100 homes were electrified. In the rural areas of the Huasteca Potosina, more than 700 people from 36 communities enjoy solar energy thanks to the arrival of this program in 99 homes and a health center.





## Indigenous peoples

Iberdrola, in accordance with its [Code of ethics](#) and [Policy on Respect for Human Rights](#), is committed to respecting the rights of indigenous peoples and ethnic minorities, in accordance with current legislation and the obligations established by the ILO Convention No. 169 and other international instruments. Likewise, in each country, local laws, principles, and regulations are respected in relation to indigenous peoples, establishing mechanisms that guarantee their rights.

Although there is no universal definition of indigenous peoples by the United Nations system, Iberdrola understands this term based on international standards resulting from ILO Convention No. 169:

- Self-identification as indigenous peoples at the individual level and accepted by the community as their member.
- Historical continuity with pre-colonial and/or pre-settler societies.
- Strong link to territories and surrounding natural resources.
- Distinct social, economic, or political systems.
- Distinct language, culture, and beliefs.
- Form non-dominant groups of society.
- Resolve to maintain and reproduce their ancestral environments and systems as distinctive peoples and communities.

### Best practice

#### **Iberdrola's commitment to respect indigenous peoples' rights**

According to the latest [Renewable Energy and Human Rights Benchmark](#) Iberdrola is the only company with a specific public commitment to respect indigenous peoples' rights in line with international standards, notably the ILO Convention 169 on Indigenous and Tribal Peoples.

The company, which is found in four countries where indigenous communities are present (Brazil, Mexico, the United States and Australia), promotes the development of business activities with respect for different cultural identities, traditions and environmental richness since these Communities often depend on natural resources for their livelihood. Communities affected by Iberdrola's activities may include indigenous populations, including quilombolas, riverside residents, peasants and fishermen, landless rural workers, and other vulnerable groups. In Australia, projects may affect land over which First nations or Aboriginal peoples have rights. For this reason, the company establishes dialogue channels with these communities and their representatives, as well as with the State, to report future or ongoing projects with due transparency and integrity.

Iberdrola's facilities in territories inhabited by indigenous communities in 2021 are included in the table below:

### Facilities in territories with indigenous peoples presence

Country	Facility	Indigenous communities
Mexico	Topolobambo II central	In the municipality of Ahome: El Chalate, Juricahui, Bajada de San Miguel, Nuevo San Miguel, San Miguel Zapotitlan, Zapotillo Uno, Choacahui and La Tea. In the municipality of El Fuerte: Téroque Viejo, El Carricito, La Ladrillera, El Bajío, Las Higueras de los Natosches, La Loma , El Ranchito, 2 de Abril, La Cruz, La Línea, and Júpare.
	Tapazunchale central	In the municipality of San Martín Chalchicuautla: the Lalaxo and Ocuiltzapoyo and Bordones communities; in the municipality of Matlapa, the Terrero Colorado, Chalchocoyo and Nexcuayo communities; in the municipality of Tampacán, the communities of El Refugio, Las Vegas, El Ojital, Huexco and Mixcotla; in the Municipality of Tamazunchale Palictla, Cuixcuatitla, El Tepetate; La Vega neighborhood and Cuixcuatitla.
	Dos Arbolitos wind farm	La Ventosa, Juchitán, Oaxaca
	Bii Nee Stipa wind farm	In El Espinal Zapotec communit
	Mexico Wind farms (Parques Ecológicos de México)	Juchitán de Zaragoza
	Renewable Energies Venta III	Santo Domingo Ingenio
	Cuyoaco Photovoltaic Plant	Emiliano Zapata
Brazil	Aguas Belas Sub-station in Pernambuco state	Comunidad FULNI-Ó, in the city of Águas Belas
	Redes de Coelba in Banaê	Kiriris, Tuxá and Truká (Bahía)

Given the risk of direct or indirect impacts on these communities, Iberdrola seeks to promote practices that respect human rights with the purpose of preventing conflicts and generating benefits for the surrounding communities. Although in 2021 there has been no incident related to the violation of the rights of indigenous communities, three lawsuits remain ongoing in relation to the Brazilian electricity distributor Coelba, in which compensation is claimed for the use of the right of way by the electricity networks on the lands of the Kiriris, Tuxá and Truká indigenous peoples. The legal action relating to the Kiriris indigenous community is in the appeal phase. The remaining two legal actions are at investigation stage, awaiting judgment.

As part of its strategy with the communities, Iberdrola has developed a digital tool that allows the monitoring of consultations, in order to ensure full integration and monitoring of the measures agreed upon. The following table details its characteristics.

**Good practice****New digital tool for managing consultations with communities**

In order to improve the management and mitigation of possible impacts, together with the follow-up of the *Recommendations guide for consultations* in all phases of the lifecycle of the projects, in 2021 Iberdrola developed a digital tool for management of consultations with the communities. The tool aims at improving management and documentation of the consultations, and the monitoring of actions foreseen in the action, mitigation or remedy plans relating to any impact on the facilities' surroundings.

Currently, a pilot has been launched in Mexico to test its effectiveness and suitability with the purpose of applying the tool throughout the Group.

A number of actions carried out by Iberdrola in indigenous territories are detailed below:

- In the United States, in relation to the projects under construction in the state of Oregon and in connection with the Bakeoven Photovoltaic Park, the compliance with all site settlement requirements was verified at the request of the Confederated Tribes of Warm Springs.
- Also in the United States, regarding solar projects under development, work is ongoing in collaboration with the Yakama Indian Nation to detect issues that could affect the traditional cultural territories near the site of the Bluebir photovoltaic park. With the Yakama Indian Nation and the Colville Tribe, the same action has been developed in the Badger Mountain project along with the Yakama Indian Nation and the Confederated Tribes of the Umatilla Indian Reservation with regards to the Tower Road project.

**c. Supply chain**

Iberdrola group's supply chain consists of two differentiated processes:

- Acquisition of materials and equipment and contracting of works and services, which is the responsibility of the group's Purchasing and Services Department.
- Acquisition of fuels, responsibility of the Electricity Production Business and Clients.

Both processes are guided by the principles that emanate from the policies described in the [\*Governance Structure. Regulatory Framework\*](#) and, in particular, the [\*Supplier's code of ethics\*](#).

The responsible management of the supply chain is one of the main focal points of the management of potential human rights impacts by the group. As an example of this, it is worth highlighting the establishment of a variable senior management compensation based on compliance with sustainability criteria by suppliers.

**Good practice****Inclusion in the strategic bonus of ESG criteria and extension to the supply chain**

Respect for human rights in the supply chain is promoted through the establishment of a target related to suppliers' sustainability practices which links to variable compensation of senior management (for 2020-2022). Specifically, it consists of:

Increasing the number of suppliers subject to sustainable development standards such as having:

- A human rights strategy.
- A code of conduct for its suppliers.
- Safety and health standards (SDG number 3).
- A global environmental sustainability strategy including water strategies (SDG 6), energy (SDG 7) and biodiversity (SDG 14 and 15).

The objective is to achieve, by 2022, at least 70% of the company's main suppliers (those with a turnover with Iberdrola of more than 1 million euros) to be subjected to these standards. This objective implies greater requirements for the Purchasing and Services Department when it comes to measuring and improving the profile of the value chain through quantifiable objectives that encourage relationships with suppliers that demonstrate advanced performance in social responsibility or acquire a commitment to improvement in the short or medium term.

**Suppliers' management**

Suppliers are strategic partners for Iberdrola. As part of its commitment to a sustainable management model, the company invites suppliers to align with its sustainability objectives, through the implementation of good practices in human rights. The [\*Policy on Respect for Human Rights\*](#) clearly establishes that suppliers must show strict respect for human rights recognized in national and international legislation in the development of their activity.

Iberdrola, through the [\*Supplier's code of ethics\*](#), requires its suppliers to commit to respecting the best practices of respect for labor rights, as set out in the table below.

**Main requirements of the Supplier's code of ethics:**

- Elimination of all forms of forced labor
- Rejection of child labor exploitation
- Respect for the freedom of union association and the right to collective bargaining
- Non-discrimination, equality, diversity and inclusion
- Legal working conditions
- Safety and health regulations
- Respect for the environment



To achieve this objective, a number of elements that seek to guarantee respect for human rights are included in the different phases of the relationship with suppliers. Below is a summary of how Iberdrola integrates human rights throughout the **purchasing management process**.

The **selection of suppliers** integrates an assessment based on ESG criteria, including human rights. This process is supported by a platform of suppliers classification, which also allows the improvement and systematization of risk management linked to the supply chain.

In the **contracting phase**, suppliers are required to scrupulously follow the principles indicated in the contracting conditions when subcontracting services. In the United Kingdom and Australia specific human rights clauses are included, as a result to the application, respectively, of the Modern Slavery Act 2015 (legislation.gov.uk) and the Commonwealth Modern Slavery Act.

In addition, in the technical specifications it is possible to introduce specific human rights issues in the event of an emerging risk as an additional requirement that must be complied with by the parties.

During the **term of the contract**, Iberdrola monitors the degree of compliance with the obligations through assessments and personalized improvement plans for the suppliers who fall below the appropriate sustainability levels. In case of non-compliance, and if corrective plans are not adopted, the company reserves the right to cancel the contracts.

In order to carry out a **follow-up**, Iberdrola evaluates 100% of the relevant suppliers of general supplies and fuels in relation to their most significant human rights risks. Purchases made in countries considered to be at risk are periodically analyzed according to the human rights country-risk map. This map takes into account the violation of the fundamental ILO Conventions on forced labour, freedom of association and collective bargaining and child labor exploitation, among other indicators.

A practice of supplier self-assessments by the group is described below.

**Good practice****Suppliers self-assessment**

Suppliers conduct self-assessments through the Go-Supply platform. This platform enables broad participation and analysis of responses to detect potential risks and gaps between corporate policy and practice. In the latest sustainability assessment of suppliers (2021), 1.3% of suppliers with awards over 400,000 euros did not clearly respond to questions about whether they respected their workers' right to freedom of association, and in particular, they did not guarantee that they had not benefited from forced labour or child labor exploitation. Consequently, Iberdrola conducted an in-depth analysis of this segment of suppliers.

The 62 suppliers identified who had answered "no" to the questions about whether they could guarantee that they did not benefit from forced labor or child labor exploitation, underwent personalized follow-up. The objective of this follow-up was to find out if they had the necessary mechanisms to guarantee the absence of such human rights violations and if they had detected any case of child labor exploitation or forced labor, and in such case, they were invited to reinforce their control mechanisms in line with the commitments assumed with Iberdrola.

From the dialogue with this group of suppliers it turned out that they presented some confusion in the interpretation of the question and, therefore, their answer had been negative. Having clarified the meaning of the question, 33 of these suppliers updated their response guaranteeing that they did not benefit from forced labor or child labor exploitation; 20 could not provide a guarantee and 9 have not yet sent the documentation. Regarding the 20 that cannot guarantee it, advice is being given to them on possible control measures.

To drive improvement and avoid future similar misunderstandings, it has been proposed to modify the text of the self-assessments in Go-supply.

For more information please consult the [\*Report of activities on Procurement and Supplier Management and their contribution to the Group's Sustainability 2020-2021\*](#).





### Outcome of the suppliers' risk assessment 2021

The human rights risk assessment, assessed in relation to the suppliers' purchases volume in countries with potential risk, shows the following results:

#### Goods and services suppliers:

- 0% of the purchases volume in relation to the risk of child labor exploitation;
- 0.82% of the purchases volume in relation to the risk of forced labor, and
- 0.82% of the purchases volume in relation to the risk of breaching the rights of freedom of association and collective bargaining.

The 0.82% value associated to forced labor risk is related to the potential risk in the Xinjiang region in China. The risk is linked to the purchase of elements for photovoltaic plants in a complex context that prevents traceability. In order to identify the origin of the materials and the components of the solar modules and, in particular, the polysilicon, Iberdrola is implementing measures and is seeking to increase the visibility of the suppliers in relation to forced labour risks and the use of polysilicon or other components purchased in China. Additionally, the company is working on different avenues to minimize this risk, including the possibility of carrying out audits and the study of component traceability mechanisms, as well as participating in the [\*Solar Power Europe\*](#) sector initiative.

#### In fuel supply:

- The percentage of purchases made in countries at risk of violation of the rights to freedom of association and collective bargaining, child labor exploitation or forced labor was 0%.

It should be noted that the company has not detected any suppliers with a significant adverse social impact. Similarly, no incidents have been recorded through the channels set up for this purpose. Hence, Iberdrola has not canceled any contract or requested improvement measures on human rights, corruption, labor practices or environmental practice grounds.

### Other support tools for suppliers:

In order to **guide progress and support its suppliers** towards a strategy of mutual improvement and learning, Iberdrola develops different initiatives, including:

- *Supplier Satisfaction Survey*: For Iberdrola, knowing the opinions of its suppliers is a key due diligence pillar. To serve this purpose, the group's Purchasing and Services Department elaborates the *Supplier Satisfaction Survey* every two years, in order to collect the opinion of suppliers and promote new improvement actions in the [\*Sustainable Development Plan\*](#). This survey is an additional way to find out about human rights risks in relation to the supply chain or the measures that Iberdrola takes with respect to its suppliers.
- Online awareness module on human rights, available on the corporate website and accessible to all suppliers.
- Support materials that allow the implementation of best practices in sustainability.
- Awards for suppliers that encourage, promote and recognize excellence, sustainable development and corporate social responsibility amongst other things. There are also awards for the prevention of occupational hazards. These are all a tool to recognize the supplier for their contribution to achieving the group's objectives.



- Supplier audits. Iberdrola wants to increase the number of audits with the purpose of ensuring good practice and the ability to manage contractually established commitments, including human rights.

The set of measures set out below are also the result of a joint effort by the Purchasing and Services Department with other desks of the company, which allows coordinated progress in this area, as detailed in the following table.

#### Good practice

##### Purchasing management and joint work

The company's objective is to align commercial interest with compliance by the actors in the value chain with all Iberdrola's commitments in the field of human rights. The Purchasing and Services Department always seeks to integrate the issue of human rights in the activities related to the value chain, through various collaboration initiatives:

- The ESG Department works together to prepare the self-assessment questionnaires on human rights that are sent to suppliers.
- The Purchasing and Services Department actively participates in the corporate Sustainable Development Committee, highlighting the concerns of suppliers as a Strategic Stakeholder in the field of human rights.
- The purchasing directorates of the different businesses and countries of operation set annual objectives to drive improvement of their suppliers' sustainability.

Finally, and within the context of potential impacts on the supply chain, it is outlined below how the company manages two issues to which Iberdrola pays special attention: *modern slavery and forced labor*, and *the hiring of security services*.

#### Modern slavery and forced labor

In relation to working conditions, modern slavery is one of the greatest challenges of our time and one of the most serious impacts on human rights that can occur in the supply chain. Companies face the challenge of taking effective measures to identify and eradicate it, and Iberdrola, aware that modern slavery is widespread in many forms, is working to better understand and assess this risk, review its policies and commitments, building on the good practices already existing within the group, in particular in Australia and the United Kingdom.

The potential risk of **forced labor** receives particular attention from the group, both because of its seriousness and because ScottishPower is subject to the [UK Modern Slavery Act](#), and Iberdrola Australia to the [Commonwealth Modern Slavery Act](#), after the acquisition of the Australian company Infigen Energy.

Below is a description of a good practice of ScottishPower in relation to compliance with the *Modern Slavery Act* by its suppliers.

**Good practice****Modern Slavery Act**

ScottishPower annually publishes in its *Modern Slavery Statement* the procedures established in relation to its suppliers in accordance with the *Modern Slavery Act*. Suppliers are required to assess their own subcontractors in relation to the risk of modern slavery and evidence is requested on how this risk is managed with third parties, either as part of ongoing monitoring and reporting, or on an ad hoc basis if specific issues are identified. In addition, it has established a working group, the Modern Slavery Steering Group, to provide oversight of ScottishPower's ongoing efforts to prevent, detect and react to Modern Slavery across the ScottishPower group.

Even in jurisdictions where there is no specific legislation in this regard, Iberdrola, aware of the millions of people trapped in situations of forced labor in the private sector, categorically rejects it and implements all possible measures to prevent it in all its operations and supply chains, adopting a broad approach and considering the full spectrum of this global phenomenon.

The greatest risks of forced labor may arise in subcontracting in the context of construction operations (especially regarding migrant workers in offshore wind farms) and general services. Also great risk is found in suppliers of marine transportation, smart meters, turbines, steel, and remote attention centers.

Likewise, there are risks in suppliers of machinery, materials, minerals, and fuels that, in many cases, are located in countries with a high risk of impact in all labor (health and safety, trade union freedoms, forced labor and child labor exploitation, etc.) and environmental and corruption issues.

**Hiring of security services**

Another relevant risk in the supply chain results from the contracting of security services with potential impact on the physical security of communities, including human rights defenders. The *Corporate security policy* and the specific procedures adopted by the Corporate Security Department for each situation and country are compatible with both international human rights standards and the laws of the countries in which the company is present.

The action protocols are defined and implemented across all the activities and services provided by the Corporate Security Department, with a Quality Management System which has been certified since 2003 in accordance with the ISO 9001 Standard. It is annually and externally reviewed by AENOR in the countries where it is established, to ensure compliance with the requirements of the Standard and those of the management system.

The hiring of security and surveillance service providers is carried out in accordance with the current purchasing policy, model, and procedures. The Corporate Security Department is responsible for setting the technical specifications and criteria to be met by suppliers, both in terms of physical security, resources, training, cybersecurity, and their annual evaluation during the performance of their contract.



Training in human rights is of the utmost importance for Iberdrola, as reflected in the following table. The personnel, own and subcontracted, are qualified in their functions and their skills and capacities are reinforced with a rigorous training plan, with consequent continuous evaluation and monitoring.

Security employees trained in human rights				
		2021*	2020	2019
Own personnel	Own personnel (no.)	194	187	155
	Own personnel trained in human rights (no.)	150	175	149
	Own personnel trained in human rights (%)	77.3	93.6	96.1
Sub-contractd personal	Sub-contractd personnel (no.)	1,166	1,228	1,353
	Sub-contractd personnel trained in human rights (no.)	850	865	837
	Sub-contractd personnel trained in human rights (%)	72.9	70.4	61.9

\* Change of reporting criteria, to ensure that Security personnel have continuous training in this area, it has been considered necessary to update every 24 months.

### 3.2.2. Transversal measures

**UNGP 23:** In all contexts, business enterprises should:

- Comply with all applicable laws and respect internationally recognized human rights, wherever they operate;
- Seek ways to honour the principles of internationally recognized human rights when faced with conflicting requirements;
- Treat the risk of causing or contributing to gross human rights abuses as a legal compliance issue wherever they operate.

Iberdrola has developed a wide range of human rights management measures that are integrated transversally into the relevant internal functions and processes across the group, including the areas in charge of establishing the company's relationships with its business partners.

The group's corporate policies safeguard possible differences between the highest standards and the local legislation, as detailed in the [Commitment and governance in human rights](#) section. It also describes the allocation of responsibilities at the appropriate levels across the group through the Governance and sustainability system and the Human rights governance model. To facilitate this integration, Iberdrola has established an organization and internal responsibilities for the management of human rights, with adequate budget allocations and monitoring processes that allow the offering of swift and effective responses. Furthermore, the conclusions of any assessments carried out are integrated horizontally across the group, in every country of operation and business activity.



In addition to the measures outlined above to manage specific impacts with respect to certain Stakeholders (workers, communities, and suppliers), Iberdrola adopts different nature crosscutting measures, among which the following are worth mentioning:

### Establishment of incentives linked to sustainability

The long-term incentive plan (*Strategic Bonus 2020-2022*) integrates objectives linked to sustainability, such as the reduction of emissions, the increase in suppliers with sustainable development policies and standards and the commitment to eliminate the wage gap.

In addition, 50% of the annual variable compensation of the company's Executive Chairman is linked to sustainable development objectives, such as the increase in the presence of women workers in relevant positions, the inclusion in international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, World's Most Ethical Company, etc.) and exceeding the hours of worker training provided by comparable companies.

### Incorporation of human rights criteria in business

In an event of conflict between the respect for human rights and other interests, e.g., commercial, Iberdrola tries to find formulas that make it possible to respect the principles of human rights.

### Corporate tax responsibility

The group is a leader in corporate tax responsibility, an inseparable element from its responsibility to respect human rights. Since 2019, the company publishes a [\*Report on Tax Transparency 2021\*](#). Progress has also been made in the company's transparency practices, through the disclosure of all tax information relevant for Stakeholders. For Iberdrola, responsible taxation is key to guaranteeing the best possible provision of essential goods and services, as well as respect for human rights in the countries in which it operates.

As a sign of the company's commitment to a taxation regime that is consistent with its human rights obligations and allows governments to have the necessary collection capacity to finance public services and guarantee human rights, Iberdrola hosted a conference on taxation in November 2021. The conference was attended by tax professionals at institutions as relevant as the OECD, the European Union and a number of public administrations.

### Analysis of the sustainability and human rights indices and rankings

To take on board the lessons learned and to make sure that any trend, critical point, or root cause is identified along with the assessment of general progress, the company reviews the scores it obtains in contrasted indices and rankings, as these are key tools based on globally accepted international standards.

Every year they analyze results obtained in the sustainability indices and rankings such as the DJSI, World Business Council for Sustainable Development (WBCSD), BHRRC Renewable Energy and Human Rights Index, World Business Alliance Climate and Energy (WBA), *Observatorio de RSC* and the Global Child Forum, amongst others. The company identifies areas for improvement and sets action plans accordingly. Iberdrola reviews both positive and negative scores as a source of constant learning.



- In 2021, the *BHRRC's Renewable Energy and Human Rights Benchmark* has improved Iberdrola's score in relation to its public commitment to human rights, the involvement of Stakeholders, its Due diligence system as a fundamental tool for prevention, mitigation and compensation of impacts, as well as highlighting the non-existence of a wage gap.
- The latest edition of the Dow Jones Sustainability Index (2021) (DJSI) highlights Iberdrola's progress in terms of transparency and reporting on human rights, amongst other aspects.

### Capacity building and training

Iberdrola attaches great importance to fostering a culture based on the knowledge of and respect for human rights and its goal is for this commitment to reach all workers and guide their daily actions.

The *Policy on Respect for Human Rights* stipulates that the employees must show strict respect for human rights in the development of its activity in all the countries in which it operates. All group professionals are expected to act as a first line of defense for human rights, reporting any possible impact on them or any breach of the group's corporate policies. For this reason, the company carries out various internal and external periodic training and awareness activities on human rights for different Stakeholders.

Given the importance that human rights has in the company, different training initiatives are being developed with the aim of informing the entire organization about the social and labor rights that affect the company's activities, and of training the workers in risk prevention regarding the company's operations, as well as in mitigation and in remediation in case a human rights breach occurs. Regarding the supply chain, an awareness module was developed on the matter addressed to all groups' suppliers, in order to act as a driving force for respect for human rights.

Likewise, in 2020, a specific course on respect for human rights in the business environment was included within the ongoing training and information program developed by the Board of Directors.

Employee training on human rights (in hours)			
	2021	2020	2019
Spain	138.450	124.991	106.570
United Kingdom	70.717	83.795	90.232
United States	116.212	69.952	109.570
Brazil	291.817	206.389	187.179
Mexico	40.061	395	28.387
IEI	5.675	119	1.772
<b>Iberdrola total</b>	<b>662.932</b>	<b>485.641</b>	<b>523.710</b>





## Participation in multi-Stakeholder initiatives

Iberdrola firmly believes in collaboration and participates in collaborative forums and initiatives to advance respect for human rights:

- Iberdrola has been a member of the **Spanish Network of the United Nations Global Compact** since 2002 and is a member of its Human Rights Working Group, also participating in various business and human rights forums on a global scale. The progress report on compliance with the principles of the Global Compact is available on the Spanish Network (*Red Española*) website. Throughout 2021, Iberdrola has carried out various actions in relation to the Global Compact, being identified as a LEAD company due to its high levels of commitment. It also actively participates in various human rights platforms and initiatives, such as the UN Business and Human Rights Forum in 2017, in a panel on Human Rights in international supply chains organized by the Global Compact.
- It is a member of the **European Network of Companies for Sustainability and Corporate Responsibility** (CSR Europe) which, through the collaboration of various actors (companies, public institutions, trade unions, etc.), seeks solutions to guarantee sustainable growth, including a fair transition and respect for human rights.
- Iberdrola forms part of the **European Round Table for Industry** (ERT) international initiative, within which it collaborates, amongst others, with the working group on Diversity and Inclusion, seeking to give more visibility, support and connect companies in this field.
- In Spain, it is worth noting Iberdrola's participation in the **CSR Committee of the Spanish Confederation of Business Organizations** (CEOE) (*Comisión de RSC de la Confederación Española de Organizaciones Empresariales*), and in its Due Diligence Working Group, in relation to the preparation of a *draft law for the protection of human rights, sustainability and due diligence in transnational business activities*.
- Finally, Iberdrola is a member of the **Sustainable Financing Platform**, an advisory body of the European Commission for the development of sustainable financial policies such as both climate and social taxonomies.



### 3.3. MITIGATION MEASURES

**UNGP 15:** In order to meet their responsibility to respect human rights, business enterprises should have in place policies and processes appropriate to their size and circumstances, including:

- A policy commitment to meet their responsibility to respect human rights;
- **A human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights;**
- Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute.

Economic and industrial activities inevitably cause impact, and even with valid risk prevention systems in place, adverse impacts on human rights arising from Iberdrola's activity or its business relationships cannot be avoided in all cases, as indicated in the UNGPs. When, through the application of the Human rights due diligence system, an adverse impact is detected, appropriate plans and actions are prepared and implemented to mitigate the impact.

This section describes how Iberdrola's Human rights diligence system develops mitigation plans in relation to various Stakeholders.

#### 3.3.1. Mitigation processes

Once the potential and actual impacts have been identified, Iberdrola adopts the corresponding mitigation measures. For potential ones, mitigation consists of reducing the probability that the impact occurs, while for actual impacts, mitigation refers to the measures that seek to reduce their magnitude. In both cases, when this is not completely possible, it is necessary to provide remedy.

According to the UNGPs, actions to mitigate abuses vary depending on whether the company causes or contributes to an adverse impact or is involved because the impact is linked to its operations, products or services. These measures translate, for example, into mitigation plans in the facilities and processes, and may consist of incident identification, investigation of possible causes contributing to the impact, communication and training measures, or the deepening of relationships with the Stakeholders to develop internal capacity to mitigate impacts, amongst others.

Iberdrola's Human rights due diligence system is constantly updated, through constant internal and external review of its mitigating practices and measures.



### 3.3.2. Mitigation plans

Mitigation plans related to the following Stakeholders are described below:

- Workers
- Suppliers
- People outside the company
- Communities surrounding the facilities

Subsequently, some of the follow-up measures established by the company to ensure the expected mitigation results are detailed.

#### a. Worker Mitigation Plans

Iberdrola has established processes to identify hazards for occupational safety and health, and assess and prevent occupational risks in all the operation countries. These processes are subject to control through internal and external audits, in order to guarantee their quality and effectiveness. In addition, the results of such audits and controls are used to elaborate action plans, develop improvements to the management system or communicate on best practices.

Iberdrola provides a health service at all its locations to eliminate the dangers and risks identified for its workers. Monitoring of occupational health is carried out with its own means in each country, always guaranteeing the confidentiality of personal data. In addition, this is complemented with information campaigns and events to promote healthy habits, vaccination campaigns and medical check-ups.

The company periodically makes specialized courses available to workers both online and face-to-face. The courses, which contain training on general and relevant topics related to security, are assigned to all workers according to their position and needs. The online security courses are mandatory and relevant towards the annual variable or bonus.

In each country, the workforce education and training needs are regularly identified to ensure that all workers have the necessary knowledge to perform their role safely. In addition, with the aim of establishing a common leadership model, in 2021 managers and directors globally received a safety and health leadership course.

Lastly, the possibility for all workers to recognise any possible risk and the culture of prevention have made it possible to identify incidents that, after analysis, have generated 318 “Lessons learned” with a 40% improvement in the incidence rate in the last five years. These lessons are documented and shared across all countries and businesses, contributing in turn to improving their incidence rates and, in general, to improving the working environment within the group.



Work-related injuries (own personnel)	
<b>Number of injured workers</b>	<b>599</b>
Men	547
Women	52
With leave	83
Men	73
Women	10
Deaths	3
Men	3
Women	0
With major consequences	3
Men	3
Women	0
Without leave	516
Men	474
Women	42
<b>Number of hours worked</b>	<b>78,455,175</b>
<b>Number of lost days</b>	<b>4,646</b>
<b>Injury rate (R)<sup>1</sup></b>	<b>1,06</b>

For more information on the safety and health measures of the group's workers, consult the *Commitment to quality employment* section of the [Non-Financial Information Statement \(NFIS\) - Sustainability Report 2021](#).

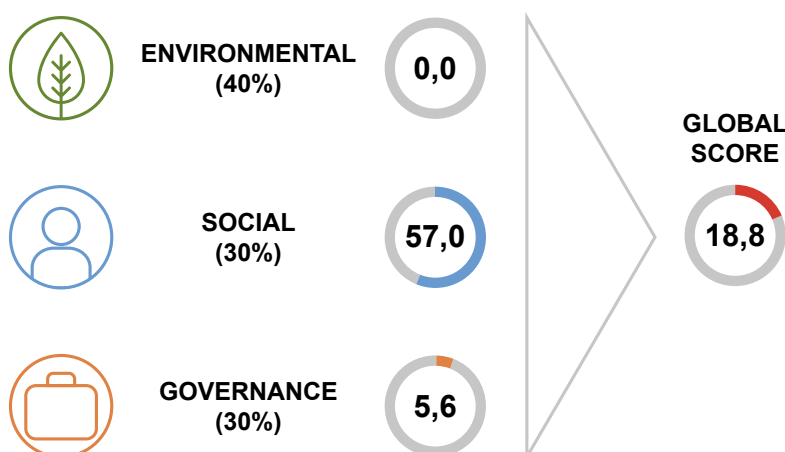
### b. Mitigation plans in relation to suppliers

At times, the impacts can be caused by suppliers' practices. In order to collaborate in impact mitigation, Iberdrola agrees on personalized improvement plans for those suppliers which fall below the company's required levels of respect for human rights, indicating the areas for improvement. After a reasonable time period has elapsed, and when it has been verified that the suppliers have not managed to adapt to the ESG requirements, these suppliers shall be excluded from future tenders, until they reach the minimum levels set by Iberdrola.

In 2021, a total of 529 suppliers received improvement plans. Out of those contacted in the first semester, 53% managed to improve their level of sustainability.

The following image illustrates, by way of example, a supplier evaluation and its corresponding improvement plan according to the established ESG criteria.

### Example of an ESG supplier assessment



In this case, the assessment falls below the score set by Iberdrola as appropriate (minimum requirement of 30 partial points in each of the 3 fundamental axes of sustainability). In addition to measures in relation to the Environment and Ethics and Governance areas, it is proposed that the supplier draw up a corporate social responsibility policy, including key issues such as equality and diversity, and to draw up a code of ethics. Iberdrola also supported the supplier in designing its human rights policy.

As part of the mitigation strategy, a supplier satisfaction survey is carried out every two years, with the purpose of identifying the need for additional mitigation measures. In the VII edition launched in 2020, participation increased by 74% compared to the 2018 survey. Specifically, suppliers were asked to respond to the impact of the pandemic on their activity, in particular on employment, the supply chain, financing and their business models. In general, the suppliers responded that the impact suffered by COVID 19 was medium-low thanks to the mitigation actions adopted by the Iberdrola group in response to the pandemic. The suppliers particularly valued working with Iberdrola since the group helps the maintenance of jobs at their companies and to improve their internal processes.

In relation to safety and health issues, Iberdrola seeks to ensure that its suppliers maintain the highest possible standards of performance in this area. Thus, all occupational risk assessment and prevention processes extend to relationships with contractors and suppliers in order to ensure that they meet the safety and health requirements. If a supplier does not have an integrated certified management system, its contractual relationship may be delayed while specific plans, under the control of Iberdrola, are defined to prevent any risk.

There are also accident mitigation plans for subcontractors. For more information, please see the Commitment to quality employment section of the [Statement of Non-Financial Information \(SNFI\)](#) - Sustainability Report.



### Solar panel suppliers based in China

Iberdrola's Human rights due diligence system, supported, among others, by the 360° degree supplier monitoring system, detected a risk of potential impact on forced labor in the solar panel supply chain in the Xinjiang Uyghur Autonomous Region (the Uyghur Region) in China.

In July 2021, Iberdrola publicly responded to the BHRRC in its invitation to selected companies in relation to their value chains in the Uyghur Region.

China accounts for 70% of the world's photovoltaic cell production and the Uyghur Region accounts for approximately 45% of the world's solar-grade polysilicon supply. In addition, Chinese suppliers supply solar panels of high quality and reliability and the photovoltaic sector, in exponential growth, faces tensions in demand due to the scarcity of raw materials and distribution problems.

Although the circumstances in the region make it very difficult to adopt due diligence measures to ensure responsible management of human rights risks, Iberdrola is implementing different measures to identify the origin of the materials and components of the solar modules (in particular, polysilicon). Also, the company is asking its suppliers to take **extraordinary measures to guarantee the absence of forced labor**.

- Express declarations from suppliers rejecting forced labor (in addition to acceptance of the Iberdrola [Code of ethics](#)).
- Confirmation by suppliers that they do not use forced labor during any stage of the mining of raw materials, production or manufacture of the modules or any component thereof.
- Traceability mechanisms of the components incorporated in the solar panels.
- Request for the codes of conduct and ethics that suppliers apply to their company and suppliers.
- In addition, Avangrid (a subsidiary listed in the United States) has signed the SEIA (Solar Energy Industries Association) commitment stating its firm opposition to the use of forced labor within the solar supply chain, committing to help prevent it and to raise awareness in the industry about this problem. To this end, it supports the development of an industry-led "Traceability Protocol" for the solar supply chain as a tool to identify the source of primary raw materials.
- In Europe, Iberdrola has joined the active working group of the Solar Power Europe sector association on Transparency in the Supply Chain with the aim of developing traceability and audit mechanisms for all members of the association.
- In the photovoltaic panel purchase contracts, Iberdrola is currently negotiating the inclusion of the right to carry out, through an independent third party, inspections to audit the traceability of the supply and to ensure knowledge of the origin of the materials despite the difficulties that this exercise entails in this territory.





#### d. Mitigation plans in the communities around the facilities

During the construction, operation and maintenance of electrical infrastructure there is a risk of incident, where people outside the company may be affected. In most of the cases detected, the incidents are related to work carried out by third parties without adequate security measures in the vicinity of the distribution facilities, as well as by fortuitous contacts with the network.

The number of incidents have increased compared to the previous year due to the deescalation of mobility restrictions in connection with the COVID-19 pandemic in 2020. Despite the growth in figures compared to the previous year, the company continues to implement a significant awareness and training course aimed at the general public in order to reduce these figures.

In this sense, Iberdrola makes available to consumers, through the group's web pages, recommendations and information on the most relevant aspects related to the safe use of electricity and gas, as well as guidelines to follow in the event of electrical accident. In addition to this, the company publishes informative brochures regarding the potential risks linked to electricity that may affect its correct use and delivers information and training campaigns on safety measures that are addressed to the general public.

Each of the sub-holding companies develops training programs and actions to strengthen safety with regards to the electricity network. The strategy includes various actions, including the production of educational videos to increase engagement on this issue and disseminate key messages, as well as free online courses on electrical grid safety for freelancers in community construction, etc.

##### Good practice

#### Education in the use of electricity

PowerWise is a pioneering safety education program that teaches elementary school children from 4 to 11 years of age about the potential dangers of electricity at home and the outdoor environment. The program is taught by qualified teachers and is linked to the school curriculum in the company's areas of operation in Scotland. PowerWise resource packs are provided free of charge to schools that have received the classroom education program and to those who request them through the PowerWise [website](#).

#### d. Mitigation plans in the communities around the facilities

Environmental impact mitigation plans for facility construction and operating licenses are a clear example of mitigation measures since there is often a correlation between environmental impacts and human rights.

Below is a series of examples of **mitigation actions** in which there have been specific controversies. Although the controversies have not occurred in 2021, the mitigation measures have been applied in such period and will remain in force throughout the life of the plant.



### Francisco de Pizarro photovoltaic plant, Cáceres (Spain)

A plan is being implemented to avoid, reduce and compensate, as far as possible, the adverse effects derived from the execution of the project. This includes the environmental impacts on water near the facilities, the quality and capacity of land and soil, and the loss of arable land. These impacts are likely to affect the enjoyment of human rights, such as the right to a healthy environment, including biodiversity and healthy ecosystems, the right to health, and the right to traditional ways of life (derived from the impact on the socioeconomic environment of the area, mainly farms close to the operation).

The plan includes measures to protect water and air quality, measures to minimize the emission of noise to the outside environment, and the use of local workers to promote the local economy.

### East Anglia Hub offshore wind complex (United Kingdom)

In the United Kingdom, ScottishPower has implemented a Coexistence Plan and maintained communication for the development of a detailed plan to minimize the impacts on fishing activities in the context of the Iberdrola East Anglia Hub project, the largest offshore wind energy project in the world. These actions are implemented in view of the impact that fishing companies may suffer during the phases of construction, operation and dismantling.

### Teles Pires hydroelectric plant (Brazil)

In the context of the Teles Pires power plant, socio-environmental sustainability the company implements programs related to the enjoyment of human rights. Among these, it is worth highlighting:

- Programs for the preservation and maintenance of the Cultural, Historical and Archaeological Heritage. The purpose of these is to preserve this heritage in accordance with Brazilian legislation and promote scientific knowledge, contributing to both the expansion of knowledge about national culture and to the participation of the community in the development of the works.
- Malaria Action and Control Plan. Based on epidemiological analysis, it aims at protecting construction site workers from malaria and other diseases. The plan includes actions to reduce risk factors for infection, ensure immediate treatment, the clinical monitoring of workers and the immediate access to diagnostic tests during work, educational and preventive activities, all of which fall under workers' right to health, etc.
- Development Plan for the Territories of Paranaíta, Jacareacanga and Alta Floresta, which objective is, once the direct and indirect impacts of the construction of the plant have been identified, to enhance opportunities for long-term growth and social and economic development. To this end, the company participates in an Intermunicipal Working Group.
- Interaction and Social Communication Program: the purpose is to maintain adequate communication mechanisms with all interested parties, facilitating the dissemination of information. This guarantees the transparency of the company's actions and the reception of suggestions and criticism, driving continuous improvement. The program seeks to address the need to keep the population informed about the project, highlighting the direct or indirect interference that may affect their daily lives, and meeting the expectations and demands associated with its implementation and operation.



During the construction of the Teles Pires project, although the mandatory prior consultations with society in general were carried out with precision through public hearings, these were not specifically addressed to the indigenous peoples. The lack of prior indigenous consultation (in accordance with ILO Convention 169) was due to the fact that another planned hydroelectric project, owned by a different company and located between the UHE Teles Pires and the Indigenous Lands, was responsible for such consultation, due to its proximity to the indigenous lands. In addition, the Environmental Impact Study (EIA) of the Teles Pires HPP (prepared by the Directorate of Energy Studies) guaranteed that there would be no severe impacts on the indigenous population, nor on their cultural heritage, or on their livelihoods. It concluded that it was not necessary to carry out an Indigenous Component Study (ECI) given the more than 60 kilometers downstream distance from the facility to the Apiaká, Kayabi and Munduruku villages.

However, the mentioned project that was closer to indigenous lands did not go ahead. As a result, the need for a specific mitigation plan regarding the indigenous communities (PBAI) was determined after the construction work on Teles Pires had begun. At that time, the Teles Pires UHE consortium carried out the ECI and designed the PBAI. The company, the *Fundación Nacional del Indio* (government entity in charge of looking after the interests of the indigenous populations, FUNAI) together with the indigenous leaders of each ethnic group, designed 18 social and environmental programs to mitigate any impacts and promote, in a sustainable manner, the cultural, social and economic activities of these indigenous peoples. These programs remain in force during the operation of the plant.

More information on mitigation programs can be found [here](#).

### Cuyoaco Photovoltaic Plant (Mexico)

The Social Impact Assessment (SIA) carried out during the planning phase of the project, detected potential human rights impacts, including the occupation and affectation of land, impacts on local traffic and impacts on health. It also detected affectation of land during the operation of the plant, as well as residual impacts during the dismantling phase, amongst other cumulative issues.

In order to manage these impacts, mitigation plans were adopted and materialized in a Social Management Plan, ensuring clear and open communication with the inhabitants of the area of influence to address their perceptions. Among the mitigation measures, it is worth highlighting the following, due to their connection with human rights:

- Provision of information to the population in an accessible way, through informative material in simple and easy-to-understand language, and consistent with the social context, allowing to dissipate uncertainties. The initiative includes the spreading of information through written and audiovisual media about the operation of the plant.
- Safety and Health plan.
- Actions to manage impacts related to job creation.
- Comprehensive Waste Management Plan.
- Addressing of complaints, suggestions and requests made by the inhabitants of the area of influence through Community Attention Mechanisms.

### 3.3.3. Tracking the implementation of mitigation plans

As a third party monitoring the implementation of mitigation measures enforced by a certain company, such as in the permit processes in which mitigation and remedy measures are determined for projects, Iberdrola justifies the sufficiency of these measures through periodic reporting delivered to the public authorities. These periodic follow up reports describe the level of development and implementation of mitigation measures through the provision of documentary evidence.

On the other hand, the communication with communities in which mitigation measures are carried out is ensured through the usual complaint channels at the operational level. This is a continuous dialogue system that allows communities to express any related concerns or questions.

In some cases, Iberdrola even carries out joint monitoring of the measures to be implemented. This allows the company to assess whether the application of the measures is the appropriate. For example, in the context of the Teles Pires hydroelectric plant in Brazil, the Interaction and Communication Program establishes appropriate communication channels with all the Stakeholders who live in the areas of influence, with the aim of providing information and maintaining a dialogue about the planned preventative, mitigating or compensatory actions. This allows the continuous improvement of the actions and ensures the corresponding followup of the fulfillment of the commitments made by the company by regional and national authorities.

## 3.4. MONITORING THE EFFECTIVENESS OF DUE DILIGENCE MEASURES

UNGP 20: In order to verify whether adverse human rights impacts are being addressed, business enterprises should track the effectiveness of their response. Tracking should:

- Be based on appropriate qualitative and quantitative indicators;
- Draw on feedback from both internal and external sources, including affected Stakeholders.

The monitoring system consists of examining how a potential impact has been addressed and whether the response has served to prevent and mitigate it and to what extent this has been possible. The impacts on human rights are dynamic, and for this reason, Iberdrola keeps its assessment, along with the prevention and mitigation measures it adopts, under constant review. This is to monitor their effectiveness. To that effect, regular evaluations are carried out through internal monitoring of all the relevant information in relation to human rights, through independent experts and with the support of quantitative and qualitative indicators that define possible room for improvement.

This monitoring, based on internal and external sources of information, allows Iberdrola to assess the progress made in relation to its responsibility to prevent and mitigate adverse impacts.



### 3.4.1. Internal sources

The analysis of the received complaints and queries forms the basis of monitoring the due diligence measures that the company implements.

For more information on the complaints system, see the [Complaint and grievance mechanisms section](#) of this report.

These constant monitoring mechanisms help the company to enrich both the *Human rights risk map* and to verify the effectiveness of the measures adopted in this regard.

- Ethical web/intranet mailboxes: worker mailbox and supplier mailbox (owned by the Compliance Unit).
- *Worker ethical mailboxes*. These channels allow workers to make inquiries or report conduct that may imply an irregular occurrence or an act contrary to the law or regulations.
- *Supplier ethical mailboxes*. These are communication channels allowing the group's suppliers, as well as any sub suppliers, their workers, and the companies that have participated in a tender, to report behaviors that could imply a breach within the framework of the commercial relationship with the group. These mailboxes are available in the [purchase portal](#) of the website.
- Corporate mailboxes.
- In site complaint and claim channels: face-to-face, by telephone, mail or through the website of the facility (owned by the corresponding facility).
- Judicial and/or administrative claims.
- *Supplier survey*, carried out every two years. In 2020 suppliers were asked to give their opinion on the impact of the pandemic on its activity, specifically in areas such as employment, problems in the supply chain, financing and impacts on its Business models. It has made it possible to assess whether there is a need to implement mitigation actions and of what type.
- Internal audits: the Internal Audit Department is responsible for carrying out audits on corporate functions and processes and coordinates the planning and ongoing audit works. It prepares an annual work plan, based on the assessment of the main risks that affect the achievement of the company's objectives. As a result of the audits, it delivers, where appropriate, recommendations to the audited organizations. The annual activity plan is approved by the respective Audit and Risk Supervision Committee, to which the Internal Audit Department will report periodically both on its development and on the level of compliance with its recommendations by the organizations of each company.

In all the countries where Iberdrola operates, a risk identification process has been set up for the various salient human rights issues; occupational safety and health, occupational risk assessment and prevention, environmental management systems, as well as corporate security (including cybersecurity), among others. These processes are subject to control through specific and periodic audits that serve to establish action plans, drive improvements in the management systems or communicate best practices.

It is worth mentioning that there are limitations in monitoring the prevention and mitigation measures adopted in certain supply chains, given that the traceability can be especially complex. However, the group continues its work on this issue.



### 3.4.2. External sources

In order to track the effectiveness of its prevention and mitigation measures, Iberdrola has implemented a series of mechanisms that allow active listening to potentially affected parties and the assessment of its mechanisms by independent parties. These systems allow Iberdrola to track the effectiveness of its responses.

In 2019, Iberdrola carried out an exercise to track the level of effectiveness and monitoring of the Human rights due diligence system, including the external assessment of the measures taken in the group. This exercise highlighted the following:

- Iberdrola has a complex and robust management and Human rights due diligence system. The company has managed to create a global vision of its commitment to human rights that allows it to comply with country-specific regulations and transfer a global standard to its operations.
- The management of environmental, occupational safety and health, privacy and data protection, are good examples of how the company manages its potential impacts on human rights and monitors them.
- The responsibilities of the second line of defense are correctly defined in relation to human rights issues such as the environment, labor practices, corporate security, quality, privacy, data protection, and ethics and integrity.
- In relation to environmental issues, which are usually linked to impacts on human rights, Iberdrola counts a comprehensive management system with the corresponding environmental certifications.
- In relation to safety and health, Iberdrola has international standards (OSHAS 18001 and, in some cases, ISO 45001) ensuring compliance with regulations and improving the standard.
- The purchasing model has been reviewed to drive a more responsible management, that is aligned with sustainability and human rights policies, supporting, among others, awareness raising among suppliers.
- Iberdrola has corporate and site-level channels to receive complaints and claims that activate dialogue and redress systems. The analysis of its level of effectiveness is positive.
- Corporate processes of acquisition or participation in projects integrate a due diligence process that considers relevant human rights issues, such as the environment, safety and health, and data protection.
- Iberdrola is committed to ensuring that the greatest number of people receive energy services, including people in situations of vulnerability. In relation to the quality and reliability of the supply, the regulatory and technical standards are aligned with the highest standards, ensuring due diligence.
- The data protection management model provides an example of measures for the prevention, mitigation, supervision, and reporting of fundamental rights.
- Iberdrola counts on an elaborated compliance system that includes numerous specific policies to deal with different aspects of business ethics and to manage potential impacts related to corruption, conflicts of interest and anti-competitive practices.
- Certain subsidiary companies have developed advanced engagement models with the communities.





- Security services are outsourced but Iberdrola requires that the contractors' personnel is trained in human rights by approved organizations.

At the same time, Iberdrola also relies on external audits and evaluations regarding certain processes.

- External audits.
- The Environmental Impact Assessments and the license requirements, in accordance with the legislation applicable in the countries where the company operates, establish a process to track the effectiveness of the measures that are proposed with the aim of respecting the right to the environment and human rights.

### Results of internal and external reviews

As a result of this exercise of constant review and feedback of the Human rights due diligence system, Iberdrola has developed the following actions aimed at improving the quality of the process that tracks the effectiveness of the measures implemented at different levels of responsibility:

- The Sustainable Development Committee has made the supervision of human rights an explicit part of its mandate before the Board of Directors, focusing on the Human rights due diligence system and the prevention and mitigation measures.
- Consolidation and strengthening of teams:
  - The teams have been reinforced to ensure respect for human rights across all sub-holding companies. These responsibilities derive from the policies approved by their corresponding Boards of Directors, including the respect of human rights. To this end, certain elements of the Human rights due diligence system have been reinforced at the local level, in close contact with the business areas and in coordination with Iberdrola.
  - Regarding the strengthening of the internal audit system, it is worth highlighting the reinforcement of the Internal Assurance area which, amongst other things, is responsible for ensuring the adequate defining, implementation and maintenance of the Global Internal Control Systems for non-financial information (*SCIINF*). This is in relation to the elaboration and filing of the nonfinancial information report.
- *Institutionalization of procedures*: the company has set the short- and medium-term objective of developing a new protocol for social audits at the first level of contracting (direct suppliers or tier 1). This shall include tracking of the progress made in relation to human rights issues.



## 3.5.COMMUNICATION AND REPORTING

**UNGP 21:** in order to account for how they address their human rights impacts, business enterprises should be prepared to communicate this externally, particularly when concerns are raised by or on behalf of affected Stakeholders. Business enterprises whose operations or operating contexts pose risks of severe human rights impacts should report formally on how they address them. In all instances, communications should:

- Be of a form and frequency that reflect an enterprise's human rights impacts and that are accessible to its intended audiences;
- Provide information that is sufficient to evaluate the adequacy of an enterprise's response to the particular human rights impact involved;
- In turn not pose risks to affected Stakeholders, personnel or to legitimate requirements of commercial confidentiality.

Iberdrola attaches great importance to instilling confidence in its Stakeholders that the company is actively working towards the realization of its commitment to human rights across the group. In this sense, communication and reporting efforts are an essential part of the company's Human rights due diligence system.

This report has been verified by an independent third party and complements the Non-financial information, with the purpose of reinforcing transparency regarding the company's governance and performance in respect of human rights.

The report provides a measure of accountability on the company's human rights due diligence, which is based on identifying, preventing, mitigating, and providing remedy for any (potential and actual) adverse impacts in relation to all its activities, including the supply chain and other commercial relationships. The report aims at allowing the Stakeholders to carry out an objective and complete analysis of the company's performance in this regard with a focus on 2021, understanding the areas of actual and potential impact, as well as through the analysis of controversies.

With this report, Iberdrola meets its communication commitments, including public reporting under the Guiding Principles Reporting Framework. Likewise, this report serves to strengthen the culture of the organization in this area, and to promote the commitment to raise awareness and the effective implementation of Iberdrola's comprehensive Human rights due diligence system, as well as the programs related to it, in all the different countries of operation.

The disclosure of relevant information and data is one of the most reliable ways to account for the risks and impacts that Iberdrola may cause, contribute to, or be related to in terms of human rights, and how it addresses them. Transparency is a key element to address, assess and track the company's challenges and opportunities in this field, and is used as a source of learning to improve the quality of the information, the *Recommendations Report*, prepared by an independent third party, which analyzes the [\*SNFI\*](#) information giving visibility to elements that require reinforced communication and detecting areas for management improvement.



In addition to this report, and in accordance with its commitment to transparency, Iberdrola reports information on human rights through various internal and external channels:

- *SNFI Sustainability Report*, in accordance with the information requirements and recommendations of the consolidated set of GRI (Global Reporting Initiative) Standards for sustainability reporting (CORE option). The document also complies with the information requirements of the GRI Reporting Guidelines for the Electric Utility Sector Supplement. The company reports the information requirements and recommendations of the SASB (Sustainability Accounting Standards Board) in its specific standard for Electric Utilities & Power Generators. Lastly, the Statment of NonFinancial Information offers relevant information on compliance with the 10 Principles of the Global Compact, to assess Iberdrola's degree of progress with respect to these principles.
- The *Human Rights* section on the corporate website contains detailed information on the company's governance and management instruments of the Human rights due diligence system.
- Updated information on the worker's portals in each of the sub-holding companies, as a way to maintain communication.
- Monthly newsletter addressed to the workers, covering trends relevant for the Stakeholders, including information on the progress made by the company in the field of human rights and other information related to this topic.
- Responses to the questionnaires from analysts and investors on human rights and ESG issues.
- Continuous response to human rights and sustainability indices as well as ESG ratings on the most relevant human rights issues.
- Specific human rights training activities for workers, as well as awareness modules for suppliers in the supply chain.
- Dissemination on social networks, yearbooks and communication channels specialized in sustainable development.



# 4. GRIEVANCE MECHANISMS AND REMEDY





**UNGP 29:** To make it possible for grievances to be addressed early and remediated directly, business enterprises should establish or participate in effective operational-level grievance mechanisms for individuals and communities who may be adversely impacted.

The *Policy on Respect for human rights* includes the company's commitment to offer complaint and grievance mechanisms, with sufficient guarantees and adequate resolution procedures, in order to deal with potential cases of impact on human rights and, where appropriate, provide remedy.

The features of the grievance mechanism are detailed below, as well as the company's approach to the issue of remedy.

## 4.1. COMPLAINT AND GRIEVANCE MECHANISMS

**UNGP 31:** In order to ensure their effectiveness, non-judicial grievance mechanisms, both State-based and non-State-based, should be:

- Legitimate: enabling trust from the Stakeholder groups for whose use they are intended, and being accountable for the fair conduct of grievance processes;
- Accessible: being known to all Stakeholder groups for whose use they are intended, and providing adequate assistance for those who may face particular barriers to access;
- Predictable: providing a clear and known procedure with an indicative time frame for each stage, and clarity on the types of process and outcome available and means of monitoring implementation;
- Equitable: seeking to ensure that aggrieved parties have reasonable access to sources of information, advice and expertise necessary to engage in a grievance process on fair, informed and respectful terms;
- Transparent: keeping parties to a grievance informed about its progress, and providing sufficient information about the mechanism's performance to build confidence in its effectiveness and meet any public interest at stake;
- (Rights-compatible: ensuring that outcomes and remedies accord with internationally recognized human rights;
- A source of continuous learning: drawing on relevant measures to identify lessons for improving the mechanism and preventing future grievances and harms;
- Operational-level mechanisms should also be:
- Based on engagement and dialogue: consulting the Stakeholder groups for whose use they are intended on their design and performance and focusing on dialogue as the means to address and resolve grievances.

Iberdrola has established grievance mechanisms, both at the operational and company level, with the aim of identifying adverse impacts, taking the adequate measures and, where appropriate, providing early and directly remediation for adverse impacts and preventing abuses from becoming exacerbated and grievances from escalating. These channels allow those who may be adversely impacted (local communities, workers, suppliers or any other Stakeholder) to bring their concerns, complaints or claims to the company.



There are several types of complaint and grievances mechanisms for human rights issues:

- Ethical web/intranet mailboxes: worker mailbox and supplier mailbox (owned by the Compliance Unit).
- Facilities complaint and claim channels: face-to-face, by telephone, mail or through the installation website (owned by the corresponding site).
- Corporate mailboxes (owned by the corresponding area or business).
- Judicial and/or administrative claims, which are sent to the Legal Services of the challenged company.

The complaints are analyzed and any relevant information influences the review of the relevant policies and the development of internal procedures, with the aim of the prevention, mitigation and non-repetition of similar adverse impacts.

Additionally, Iberdrola entrusted a review of its grievance mechanisms to an independent expert, whose application of 82 indicators related to each of the criteria ensured their effectiveness in practice and their adherence to the process requirements set out in the UNGP 31. The system guarantees confidentiality and protects users from any type of intimidation or retaliation by the company or by third parties, guaranteeing that those directly impacted can access the mechanisms. Overall, the review evaluated positively the efficacy criteria.

In 2020, and as a response to these recommendations, Iberdrola created a ***Procedure for the classification, monitoring and reporting of reports, complaints and claims with a potential impact on human rights***. This procedure allows the classification of complaints received through the different channels, ensuring that those related to human rights receive the corresponding resolution in accordance with Iberdrola's Human rights due diligence system and international standards.

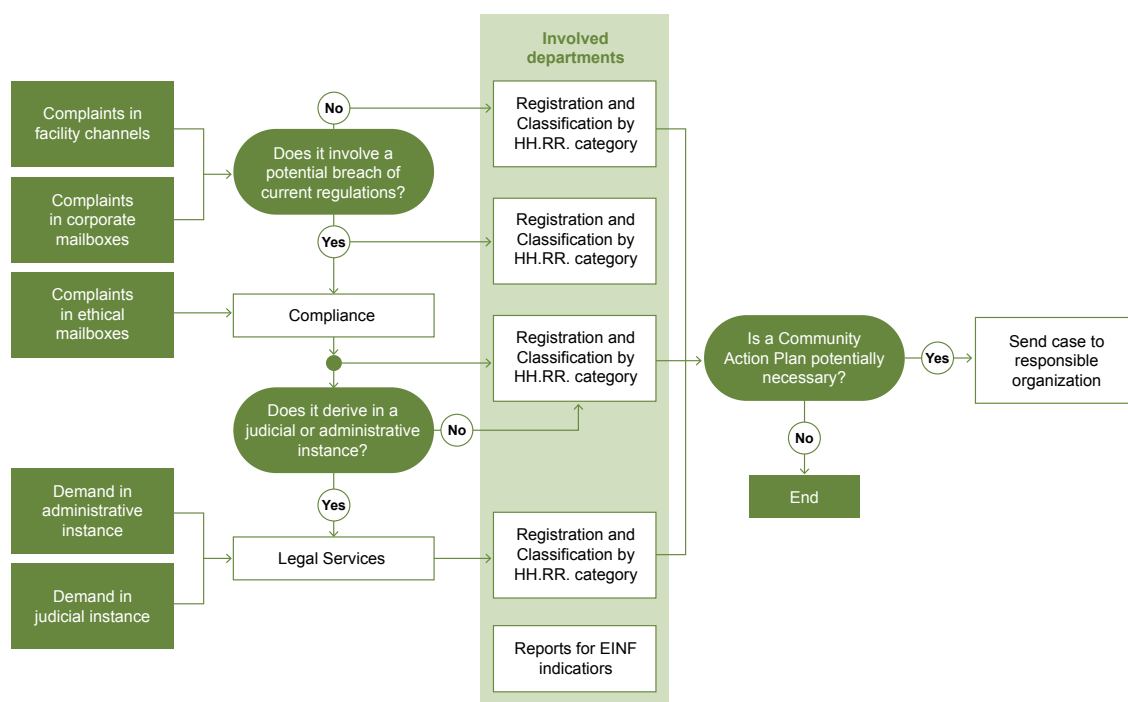
Iberdrola classifies human rights complaints according to the following typology, which is constantly reviewed according to the established procedure:

- Ethics and integrity
- Labor practices
- Environment and sustainability
- Innovation and new technologies
- Relationship with local communities
- Site operations and business essentials





### Simplified flowchart of the registration and reporting of human rights complaints and claims



Throughout 2021, the ESG Management teams, together with the rest of the areas and businesses involved in the process of monitoring complaints and claims, have continued their joint work to update the mentioned protocol's definitions and actions.

## Characteristics of received communications

The information related to human rights grievances and complaints brought through the ethical channels are received by the Compliance Unit, which transfers them to the corresponding areas for their management.

Regarding the communications received through the ethical mailboxes, in 2021, a total of 2,177 communications were received, of which 1,159 correspond to queries and 1,018 to complaints. Of the 1,018 complaints received, 527 were admitted for processing. With respect to the total of 527 complaints admitted for processing, 77 have been classified as having a potential impact on human rights. In 9% of the cases of the 527 complaints admitted for processing, some kind of disciplinary measure has been adopted, following the verification of irregular conduct or a conduct contrary to the Code of Ethics.

In 2021, three external complaints were received in relation to the supply chain, through the channels provided for this purpose. None of these are related to human rights, corruption, labor practices or environmental practices.

In 2021, the group has received, through the different authorized channels, 29 complaints regarding labor discrimination. The People and Organization Department, responsible for managing these complaints, oversees taking the appropriate measures in all cases. Of all the complaints received, 13 remain under study and the other 16 have already been resolved. Regarding the closed complaints, 1 resulted in a written reprimand and in 3 cases the worker was dismissed. Likewise, 3 complaints have been received in Spain for alleged breach of the right to collectively organize which, as of the date of this report, remain open.

## 4.2. COMMITMENT TO REMEDY

**UNGP 22:** Where business enterprises identify that they have caused or contributed to adverse impacts, they should provide for or cooperate in their remediation through legitimate processes.

The objective of the company's Human rights due diligence system is to prevent and mitigate its adverse human rights impacts. However, as set out in the UNGPs, when this is not possible, either because it is not feasible to adapt the mitigation to the context, the actions adopted fail to reduce its scope, or there is a residual impact (that is, it remains despite the mitigation measures), Iberdrola implements **actions or remediation measures** to guarantee that the affected individuals have access to effective remedy through legitimate processes and active cooperation.

The purpose of the remedial measures is to counteract or make good any human rights harms that have occurred, **returning the rights holders to the situation prior to the adverse impact** or, if this is not possible, restoring them to the original situation to the maximum extent possible, through different kinds of reparation measures. The company does not, in any way, impede access to state judicial or non-judicial mechanisms and cooperates in good faith with them.

In this sense, Iberdrola actively listens and integrates the expectations of the affected individuals. The company takes into consideration that the reparation measures may, depending on the legal or human rights frameworks applicable at international level, take different forms. Remedy may include apologies, taking steps to guarantee non-repetition, financial or non-financial compensation for the harm caused, the cessation of a particular activity or business relationship, or other form of reparation that the parties agree.

### Types of Remedy

**Restitution:** is intended to restore, to the maximum extent possible, the impacted rights, and return the rights holder to the original situation before the harm and provide a more adequate remedy than monetary or financial compensation.

**Financial compensation:** consisting of money or other financial compensation that is fair and proportional to the seriousness of the harm.

**Rehabilitation:** covers the processes and services that allow a victim to rebuild his/her life and / or reduce as much as possible the harm suffered.

**Satisfaction:** involves stopping the abuse, acknowledging the harm, revealing the truth, providing an apology, and punishing those responsible, and can take many forms.

**Guarantee of non-repetition:** guarantee that the necessary policies and procedures are adopted to prevent future damages and/or take disciplinary action.



Iberdrola is committed to providing compensation in relation to the impacts that it causes or contributes to in its operations and/or through its value chain or other business relationships.

**Assessment actions are carried out on a case-by-case basis**, according to the group's case processing guide, in order to enable effective remedy. These actions usually include the investigation of the circumstances, the eventual purging of responsibilities and other measures that may be necessary to comply with international human rights standards, and dialogue with the affected parties in order to enable effective remedy. In any case, remedial actions privilege the maintenance of dialogue and collaboration with those possibly affected.

Iberdrola carries out remedial measures for its **clients**, but also it counts on adequate systems to provide remedy to **workers** who have suffered impacts on their labor rights, such as, for example, discrimination or harassment at work. The People and Organization Department is responsible for addressing and providing remedy in relation to labor issues.

Regarding **suppliers and contractors**, Iberdrola's monitoring (see section [Suppliers' management](#)) allows the identification of any adverse impacts and, if necessary, the activation of the appropriate measures to enable remedy.

Finally, and in relation to adverse impacts on **communities**, the company adopts remedial measures when they occur, prioritizing dialogue with the communities. The approach takes into consideration of the local specificities and environmental and social studies as a basis for its assessment. To this effect, the support of the Iberdrola team on the ground is essential.

## Examples of remedy in relation to communities and clients in various countries of operation:

Remedy entails the following challenges: identification of the issue in relation to the impact, identification of the rights holder, understanding the scope of that impact, the possibilities of returning the rights holder to the original situation, the proportionality in providing the reparation as well as the fairness in the reparation.

### Remedial measures in projects and facilities:

#### Saint-Brieuc offshore wind farm, France

The Ailes Marines consortium, 100% owned by Iberdrola, is in charge of the development, construction and operation of the offshore wind farm in the area defined by the French Government in the Bay of Saint Brieuc off the coast of Brittany. The company has implemented all possible measures to avoid and reduce any inconvenience to fishermen. However, the unavoidable exclusion of the fishing companies from the construction zones constitutes a damage that Iberdrola intends to compensate. Since May 2021, a sequence of actions has been launched to reduce the impact of the project on fishing activity. To facilitate the accompaniment of the affected fishing professionals, Ailes Marines has independent expert support to reach the necessary consensus.

Iberdrola have set up a freely accessible [web page](#) that contains information on the project, as well as the mitigation and compensation measures deployed. There is a specific space for the beneficiaries of the financial compensation measures for the fishing sector. The implementation of these measures is



subject to consultations with fishermen's committees, institutions and fishing industry organizations. The company has set up a compensation system to help address the challenge of resolving the damage suffered by the fishing companies, which are significantly restricted in their activities as a result of the construction of the wind farm. The system follows these steps:

**Step 1:** if a fisherman considers that it will be affected by the fishing exclusions during the construction of the offshore wind farm in the Bay of Saint Brieuc, he/she must submit a claim request.

**Step 2:** analysis of the use of the area. This step consists of defining the activity that the fisherman usually carries out in the exclusion zones at the time of the works. Assisted by the research and engineering office serving the fishing industry Breizh Marine Expertise and BMM, the fisherman will define its frequentation, based on any navigation aid system. The reference period for this sectorization will be 2015-2020. At the end of this work, the fisherman will receive an assistance data validation form by email. This form must be signed and returned.

**Step 3:** review accounting data. The economic dependence of the fishermen in the project area represents the proportion of the billing that is generally achieved in the exclusion zones at the time of the works. This dependency is calculated by RICEP by crossing the attendance data for the area with the monthly billing. To this effect, the monthly and annual billing for the period 2015 to 2020 must be provided (the most favorable year for the works phase will be retained). The fisherman will receive an email with a form to validate the business turnover and must return it signed.

**Step 4:** calculation of the amount of compensation. It is calculated by RICEP, and corresponds to 60% of the best turnover (regulatory reference used in the fishing sector within the framework of temporary closures) achieved in the exclusion zones between 2015 and 2020.

**Step 5:** signature of a settlement protocol. This collaboration agreement defines the amount of compensation and the conditions associated with it (commitment to respect fishing restrictions during the works) and is sent to the fisherman by post mail. This document must be returned signed and accompanied by the necessary documents for the payment of the compensation.

**Step 6:** receipt of the financial compensation. The payment of the compensation for future work shall take place annually and within 45 days from the receipt of the transaction agreement duly completed and signed by the parties.

### Tâmega hydroelectric plant, Portugal

In the construction of the Tâmega hydroelectric complex, several socioeconomic studies revealed a threat to 59 homes, of which 50% were permanent residences.

A preliminary assessment allowed the identification of the needs of each one of them and assess possible relocations with similar characteristics. In relation to the displacements that were identified as necessary, economic compensation was provided in accordance with the Portuguese Expropriation Law and according to the methodology implemented by Iberdrola regarding the management and definition of displacements and possible economic damage.

Until 2021, 51 homes have been relocated, 39 during the year which coincided with the filling of the Daivões reservoir. For the years 2022 and 2023, 8 more families will be relocated, at the time of the filling of the Alto Tâmega reservoir.



### Baixo Iguaçu hydroelectric plant, Brazil

In the Baixo Iguaçu project, Iberdrola established a Biodiversity corridor consolidation program with the aim of protecting biodiversity and the ways of life in the surroundings of the site. This program establishes the connection between the areas of the Iguazú National Park and the expropriated and reforested areas in close proximity to the area of direct influence of the Baixo Iguaçu power plant. It also establishes the restoration of the riparian vegetation around the reservoir, uniting fragments to form an ecological corridor. This program integrates the efforts of the government, civil society, and communities, seeking to make the implementation of the corridor viable and contributing to the conservation of existing biodiversity in the Iguazú National Park and its immediate surroundings, and, thereby remedying impacts on human rights linked to the affectation of biodiversity.

Through this exercise, Iberdrola recognizes the relationship of interdependence and mutual reinforcement between a clean, healthy, and sustainable environment and the full enjoyment of human rights. The company recognizes that certain human rights are especially vulnerable to environmental damage.

The EIAs carried out have allowed, in this case as in many others, to determine, assess and remedy adverse impacts on human rights linked to an environmental impact. Indeed, these evaluations include the analysis of potential impacts on human rights, such as the right to a safe, clean, healthy, and sustainable environment. The measures contemplated in the EIAs, and the proposed compensation channels are, therefore, an effective way of remedying adverse impacts on human rights resulting from or directly linked to environmental impacts.

### Cuyoaco Photovoltaic Park, Mexico

During the construction and installation phase of the project, there were impacts on local traffic and the population's mobility patterns because of the blockage or closure of roads, as well as Impacts on public services, such as electricity, drinking water and drainage in the area of direct influence of the site. Given these damages, the company provided remedy in the form of repairing the roads and generating alternative road axes that ensured the mobility of the towns near the park.

Furthermore, the Comprehensive Waste Management Plan contemplates the final disposal of special management waste, urban solid waste as well as hazardous waste, in order to prevent its release into the environment and any subsequent effects on the health of the population and the ecosystems. Hence, Iberdrola Renovables México ensures adequate disposal in the event of an accidental leak or spill, restoring the environment to its initial state.

### Reparation measures in relation to clients:

In 2021, there was a minor case of information leak in Spain, affecting the privacy of clients' personal data. Iberdrola adopted a series of technical and organizational protection measures, which were reported to the Spanish Data Protection Agency (*Agencia Española de Protección de Datos - AEPD*). The AEPD verified that the measures had been applied to the personal data affected by the security breach and closed the case without sanction following the analysis of the actions taken by the company. The company had recognized the breach within the legally required period and had adopted appropriate technical and organizational measures for the personal data affected by the security breach.





# 5. ANNEXES





## ANNEX I. Compliance with the United Nations Guiding Principles Reporting Framework

Reporting Principle	Iberdrola's approach – report sections	Reference in the Human Rights Report
Setting human rights reporting in the business context	This report explains the Iberdrola group's commitment to respect human rights in the context of its operations, services, and value chains, particularly in its condition of employer, as an actor in a supply chain, and as a service provider whose sites are located in areas of influence or are close to local communities.	About this report About Iberdrola
Meeting a minimum threshold of information	This report is structured around the UNGPs and provides substantive answers to the 2 main questions in section A, meets the 4 information requirements in section B, and answers the 6 main questions in section C of the United Nations Guiding Principles Reporting Framework.	Throughout the report, the necessary information is provided to comply with the United Nations Guiding Principles Reporting Framework.
Demonstrating ongoing improvement	This report details Iberdrola's understanding and progress in the management of human rights in recent years, focusing in particular on the issues and actions developed in 2021. The report also recognizes the areas where progress is more limited and those in which Iberdrola can improve in the implementation of the UNGPs. Future plans are explained, and clear, measurable objectives are provided, revealing how the company is constantly seeking to improve its performance through progress indicators.	Throughout the report, the information necessary to demonstrate continuous improvement is provided.
Focusing on respect for human rights	This report refers only to Iberdrola's actions to respect human rights and, specifically, to how it manages its main impacts and relevant human rights issues. Other actions are not included, for example, those in relation to environmental impacts beyond their link with human rights.	The entire report reflects the management of the salient issues described in section 3.1. Identification of impacts, is included.
Addressing the most severe impacts on human rights	This report focuses on Iberdrola group's actual and potential human rights impacts, according to the methodology detailed in section 3.1 "Identification of impacts", paying special attention to relevant impacts ("salient issues") and prioritized impacts.	The entire report describes the management of the relevant issues described in section 3.1. Identification of impacts.
Providing balanced examples from relevant geographies	Real examples are provided from the main geographies in which Iberdrola operates, including Spain, Portugal, Brazil, Mexico, the United States, Australia, and Brazil.	1.2. Human rights and energy transition: the path towards a just transition. 3.1. Identification of impacts. 3.2. Integration of respect for human rights. 4.2. Commitment to remedy.
Explain any omissions of important information	The purpose of this report is to provide information on issues related to Iberdrola's respect for human rights. Omissions of information, as the case may be, are indicated.	No relevant information is omitted.

PART A: GOVERNANCE OF THE RESPECT FOR HUMAN RIGHTS			
Criteria	Reporting Principle	Reference in the Human Rights Report	Reference to the UNGPs Reporting framework
Policy commitment	What does the company say publicly about its commitment to respect human rights?	1. Iberdrola's responsibility to respect human rights 2.1. Policy commitment 2.2. Scope of responsibility	A1
Embedding respect for human rights	How does the company demonstrate the importance it attaches to the implementation of its commitment to human rights?	1.2. Human rights and energy transition: the path towards a just transition 2. Commitment and governance in human rights	A2

PART B: DEFINING THE FOCUS OF THE REPORT			
Criteria	Reporting Principle	Reference in the Human Rights Report	Reference to the UNGPs Reporting framework
Statement of salient issues	State the salient human rights issues associated with the company's business activities and relationships during the reporting period.	3.1.1. Methodology	B1
Determination of salient issues	Describe how the salient human rights issues were determined, including any input from Stakeholders.	3.1.1. Methodology 3.1.2. Identified Human Rights impacts	B2
Choice of focal geographies	If reporting on the salient human rights issues focuses on geographies, explain how that choice was made.	Choice of focal geographies	B3
Additional severe impacts	Identify any severe impacts on human rights that occurred or were still being addressed during the reporting period, but which fall outside of the salient human rights issues, and explain how they have been addressed.	3.1.2. Identified Human Rights impacts	B4

PART C: MANAGEMENT OF SALIENT HUMAN RIGHTS ISSUES			
Criteria	Reporting Principle	Reference in the Human Rights Report	Reference to the UNGPs Reporting framework
Specific policies	Does the company have any specific policies that address its salient human rights issues and, if so, what are they?	2.1. Policy commitment 2.3. Governance structure. Regulatory framework. 3.1.1. Methodology	C1
Stakeholder engagement	What is the company's approach to Stakeholder engagement in relation to each salient human rights issue?	3.1.1. Methodology 3.2.1. Integration of measures regarding workers, communities and supply chain 3.2.2. Cross cutting measures	C2
Assessing Impacts	How does the company identify any changes in the nature of each salient human rights issue over time?	3.1.1. Methodology 3.1.3. Iberdrola's response to emerging and global issues 3.4.1. Internal sources 4.1. Complaint and grievance mechanisms	C3
Integrating findings and taking action	How does the company integrate its findings about each salient human rights issue into its decision-making processes and actions?	2.3. Governance structure. Regulatory framework. 3.1.3. Iberdrola's response to emerging issues and global issues 3.2. Integration of respect for Human Rights 3.2.2. Transversal measures 3.4. Monitoring the effectiveness of due diligence measures	C4
Tracking performance	How does the company know if its efforts to address each salient human rights issue are effective in practice?	3.2.1. Integration of measures regarding workers, communities and supply chain 3.3.2. Mitigation plans	C5
Remediation	How does the company enable effective remedy if people are harmed by its actions or decisions in relation to the salient human rights issues?	4. Grievance mechanisms and remedy	C6



## Annex II. Independent limited assurance report

*This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

### Independent limited assurance report

To the management of Iberdrola, S.A.:

We have undertaken a limited assurance engagement of the Human Rights Report (hereinafter, "HR Report") of Iberdrola, S.A. and its subsidiaries (hereinafter, Iberdrola) for the financial year ended December 31st, 2021, prepared in accordance with the UN Guiding Principles Reporting Framework (hereinafter, UNGP Reporting Framework) included in the Annex I of the HR Report. The HR Report must be read and understood together with the UNGP Reporting Framework. This framework provides a set of questions that any society should answer to assess its respect for human rights and is presented as an opportunity to deepen internal conversations, identify opportunities to improve performance and make improvements in practice.

#### Responsibility of Iberdrola's Management

Iberdrola's Management is responsible for the preparation, content, and the presentation of the HR Report selecting those principles they want to address and answer in the HR Report, that has been prepared in accordance with the UNGP Reporting Framework. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation of a HR Report that is free from material misstatement, whether due to fraud or error.

Iberdrola's Management is also responsible for defining, implementing, adapting, and maintaining the management systems from which the information for the Human Rights Report is obtained.

#### Our independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which includes independence and other ethical requirements founded on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality, and professional behaviour.

The firm applies the International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

#### Our responsibility

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed, and the evidence obtained. The external references included in the HR Report do not form part of our engagement, and therefore, we have not provided assurance on them. In addition, as this is the first year that Iberdrola's HR Report has been prepared and submitted for external review, it is not possible to assess the principle of "Demonstrating ongoing improvement" since we do not have references for previous years.

We carried out our work in accordance with the requirements set out in the current International Standard on Assurance Engagements 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).



The scope of a limited assurance engagement is substantially lower than a reasonable assurance engagement and accordingly, the assurance provided is also lower.

The procedures we performed are based on our professional judgment and consisted of consultations, observation of the processes, review of documentation, analytical procedures and review procedures on a sample basis that, at a high level, are described below

- Meetings with Iberdrola, S.A. personnel involved in the preparation of the HR Report for the year 2021.
- Analysis of the procedures used to compile and validate the information presented in the HR Report.
- Analysis of the adaptation of the HR Report of Iberdrola to the UNGP Reporting Framework.
- Verification through analytical and substantive tests carried out for a sample of policies, procedures, projects, activities, and others in which the principles of the UNGP Reporting Framework are responded to.
- Verification of the consistency between the information included in the HR Report and that of Iberdrola's 2021 "Non-Financial Information Statement. Sustainability Report".
- Cross referencing of the existing corporate policies related to human rights matters to verify that they respond to the relevant points identified by Iberdrola in the HR report.
- Analysis of the methodology used for the identification of human rights salient issues, as well as their inclusion in the HR Report.
- Understanding of the process followed for the elaboration of the human rights risks map and the identification of the focal geographies.
- Evaluation of the concrete examples of remediation described in the HR report, to verify whether Iberdrola is taking the necessary measures to mitigate the potential adverse effects of the identified risks.
- Obtaining a management representation letter from the parent company.

#### Inherent limitations

The implementation of the UNGP Reporting Framework is a process that requires a continuous improvement along the time, and, therefore, it is not a process that can be fully revealed. As a consequence, the HR Report describes the stage of progress in the implementation of the UNGP Reporting Framework when responding to the different questions set by the framework and reveals those impacts or controversies more relevant that occurred in relation to the human rights.

The absence of an established practice on which to base, assess and measure any metrics and indicators in the Human Rights Report allows for different but acceptable measurement techniques and may affect comparability across entities and over time.



#### Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the information that responds to the reporting principles identified in "Annex I. Compliance with the United Nations Guiding Principles Reporting Framework" of the HR Report of Iberdrola, S.A. and its subsidiaries for the year ended 31 December 2021, contains significant errors or has not been prepared, in all material respects, in accordance with UNGP Reporting Framework.

#### Use and distribution

Our report is only issued to the Management of Iberdrola, S.A. in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than Iberdrola's Management.

PricewaterhouseCoopers Auditores S.L.

Original in Spanish signed by Pablo Bascones  
December 14th, 2022



## Annex III. Main terms and abbreviations

### Terms

**Value chain:** a company's value chain encompasses the activities that convert inputs into a value-added product. This includes entities with which the company has a direct or indirect business relationship and that (a) supply products or services that contribute to the company's products or services or (b) receive products or services from the company.

**Public commitment to respect human rights:** a high-level, widely available statement given by a company that sets out its intention to respect human rights with the expectation of being accountable for achieving that goal.

**Operating context:** place in which a company conducts business activities. It can refer to a country, a region within a country, or a local area.

**Human rights due diligence:** an ongoing risk management process that a reasonable and prudent business should follow to identify, prevent, mitigate, and account for how it manages adverse human rights impacts. It includes four key steps: assessment of actual and potential human rights impacts; integration and action on results; response tracking; and communication on how impacts are managed.

**Worker:** a person who performs work for a company, regardless of the existence or nature of any contractual relationship with the company.

**Stakeholders:** any person or organization that can affect or be affected by the actions and decisions of the company. In the United Nations Guiding Principles Reporting Framework, the primary focus is on affected or potentially affected individuals or Stakeholders, i.e. individuals whose human rights have been or may be affected by company's operations, products or services. Other interested groups within the context of the United Nations Guiding Principles are the legitimate representatives of potentially affected Stakeholders, trade unions, as well as civil society organizations and others with experience and knowledge related to the impacts of business on human rights.

**Actual impact:** impact that has occurred or is occurring. Includes legacy impacts and legacy legal liabilities.

**Potential impact:** the potential impact has not yet occurred but could occur in the future.

**Salient Impact:** an adverse human rights impact that is serious by virtue of one or more of the following characteristics: its scale, scope, and remediability. Scale means the seriousness of the consequences for human rights. Reach, the number of people who are or could be affected. Remediability means the facility to return the affected persons to a situation equal to or similar to the situation in which they enjoyed their rights before suffering the harm.

**Adverse Impact:** an adverse human rights impact occurs when an action removes or reduces a person's ability to enjoy its human rights.

**Embedding respect for human rights:** a macro-level process to ensure that the company's responsibility to respect human rights is embedded or disseminated throughout the organization in its corporate culture and values. It requires that all personnel are aware of the company's public commitment to respect human rights, understand its implications for how they do their jobs, are all trained, empowered and incentivized to act in ways that support the commitment and consider it as intrinsic to workplace values. Integration is a continuous process, generally driven from the highest position in the company.

**Mitigation of an impact:** mitigation of an adverse impact on human rights refers to the measures taken to reduce the degree of the impact. Mitigation of a human rights risk refers to measures taken to reduce the likelihood of a potential adverse impact occurring.

**Countries of operation:** Australia, Bulgaria, Brazil, Canada, Costa Rica, France, Germany, Greece, Hungary, Italy, Ireland, Japan, Mexico, Netherlands, Norway, Spain, Poland, Portugal, Qatar, Romania, South Africa, United Kingdom, United States.

**Supply countries:** Algeria, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Costa Rica, Denmark, Dominican Republic, France, Germany, Spain, Greece, Hungary, India, Ireland, Italy, Japan, Latvia, Mexico, the Netherlands, Norway, Poland, Portugal, Qatar, Romania, Slovenia, South Africa, Sweden, Switzerland, Taiwan, Trinidad and Tobago, Turkey, United Kingdom, United States.

**Stakeholder engagement:** an ongoing process of interaction and dialogue between a business and its Stakeholders that enables the business to listen, understand, and respond to their interests and concerns, including through collaborative processes.

**Prevention of an impact:** prevention of an adverse impact on human rights refers to the measures taken to ensure that the impact does not occur.

**Main centers of activity:** the identification of the main centers of activity corresponds to the following rationalization criteria:

- In countries with a high number of sites, the most important sites are identified as the main centers of activity. The personnel who travel to work at the smaller sites are assumed to thus have an organizational, hierarchical or functional dependence which will still guarantee their rights through the tools and procedures established in the organization.
- In countries a low number of sites or where there is only one site, these are considered main centers of activity, regardless of the number of people working in them or their importance to the business.

**United Nations Guiding Principles on Business and Human Rights:** A set of 31 principles that set out the respective roles of States and businesses in ensuring that businesses respects human rights in their operations and through their commercial relationships. The Guiding Principles were endorsed by the United Nations Human Rights Council in 2011.

**Commercial relations:** the relations that a company has with its partners, entities in its value chain and any State or non-state entity directly related to its operations, products, or services. These include indirect relationships in the value chain, beyond the first line, as well as minority or majority participation positions in joint projects (joint ventures).

**Reparation:** refer to the processes tending to remedy an adverse consequence on human rights and the substantive results that can counteract, or compensate, that adverse consequence. These results can take various forms, such as apologies, restitution, rehabilitation, financial or non-financial compensation and punitive sanctions (whether criminal or administrative, for example fines), as well as measures to prevent further damage, such as requirements or guarantees of non-repetition.

**Responsibility to respect human rights:** a company's responsibility to avoid infringing on people's human rights, and to address and manage adverse impacts with which it may be involved, as set out in the United Nations Guiding Principles on Business and Human Rights.

**Business partner:** entities with which a company has some form of direct and formal relationship in order to meet its business objectives. This includes but is not limited to contractual relationships. Examples include joint venture partners, suppliers, dealers or licensees, business clients, customers, governments, vendors, contractors, and consultants.

**Contractor/Supplier Worker:** Any person who performs work for the benefit of a primary employer, even if the employment relationship is with a third party. This guide uses the term “worker” to also refer to third-party workers with whom the company has a direct or indirect business relationship.

## Abbreviations (in alphabetical order)

AEPD- Spanish Data Protection Agency (*Agencia Española de Protección de datos*)

BHRRC - Business and Human Rights Resource Center

BSR - Business for Social Responsibility

CERES - Spanish Certification (CERTificación ESpañola)

CDP - Carbon Disclosure Project

COP 26- United Nations Conference on Climate Change held in Glasgow

ESG Criteria - Environmental, Social and Governance Criteria

DJSI - Dow Jones Sustainability Index

EIA - Environmental Impact Assessment

SIA - Social Impact Assessment

NFIS - Non-Financial Information Statement - Sustainability Report

GCF- Global Child Forum

GRI - Global Reporting Initiative

OECD - Organization for Economic Cooperation and Development

SDG - Sustainable Development Goals

UN - United Nations Organization

ILO - International Labor Organization

UNGP - United Nations Guiding Principles on Business and Human Rights

SASB - Sustainability Accounting Standards Board

