

Compliance **System** Transparency Report / 2021



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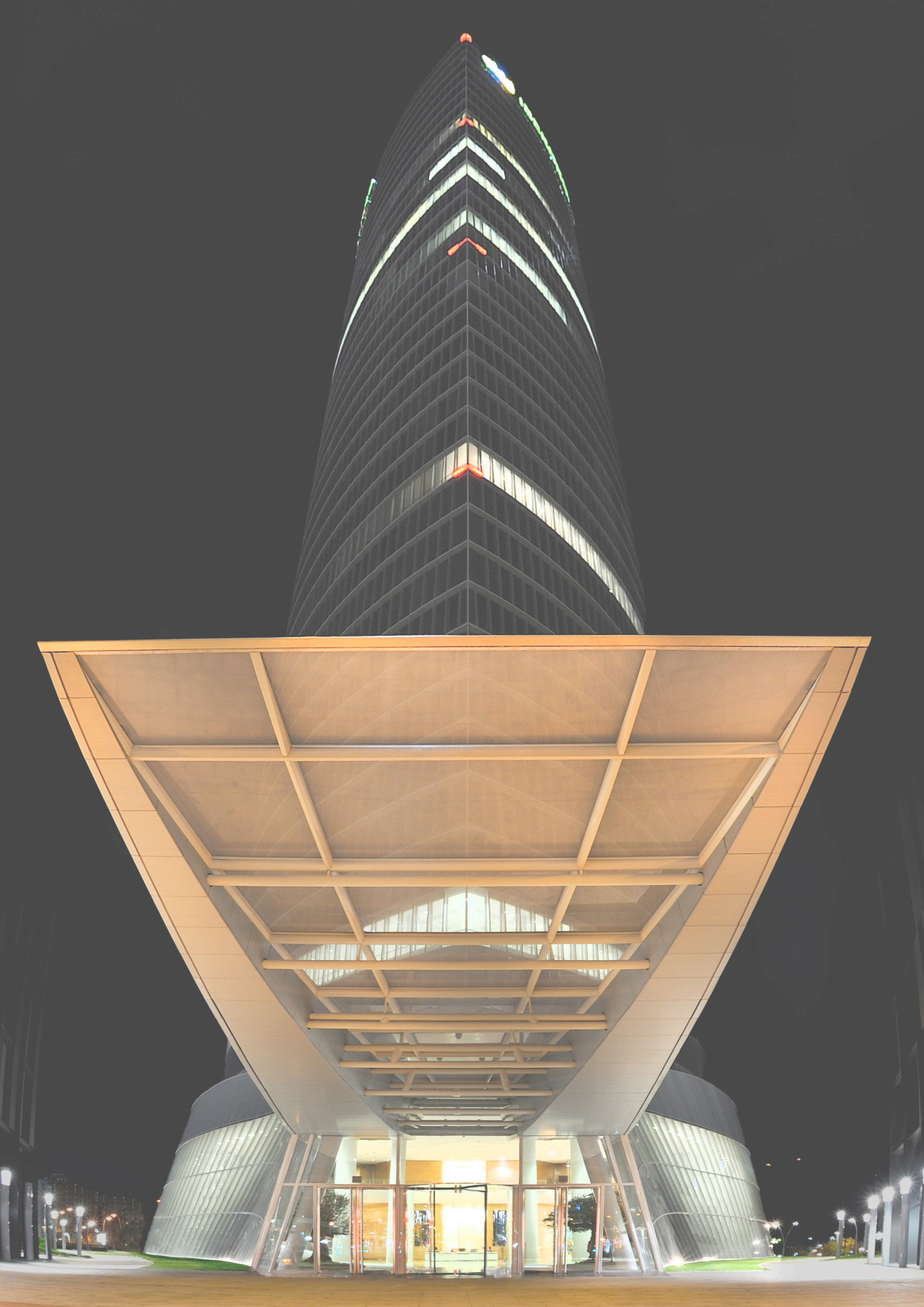


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1. Introduction

Iberdrola, S.A. (the “**Company**”) aims to ensure that its conduct and that of the people associated with it, in addition to the legislation in force and its Governance and Sustainability System, complies and conforms to generally accepted ethical and sustainable development principles.

In this regard, the Company promotes a preventive culture based on the principle of “zero tolerance” towards the commission of illegal acts and all forms of fraud and corruption.

The Company's Board of Directors (the “**Board of Directors**”) has approved the *Iberdrola Group Purpose and Values* [\[?\]](#), which sets out the raison d'être and the ideological and axiological basis of the business project of the companies belonging to the Iberdrola group (the “**Group**”) and presides over its daily activity. The contents of the *Iberdrola Group Purpose and Values* [\[?\]](#) develops and takes shape in the Company's *Code of Ethics* [\[?\]](#), which is intended to serve as a guide for the actions of the directors, professionals and suppliers of the Group's companies.

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 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.

In order to enforce the highest ethical standards established in its Governance and Sustainability System, the Company has implemented a Compliance System, which is intended to ensure that the Company acts in accordance with ethical principles and applicable law and to prevent improper or contrary conduct to ethics, the law, or the Governance and Sustainability System that may be committed by professionals in the course of their activities.

In order to proactively ensure the effective operation of the Company's Compliance System, the Board of Directors set up the Compliance Unit (the “**Unit**”), a permanent internal decision-making body, linked to its Sustainable Development Committee (the “**Sustainable Development Committee**”), which is vested with broad powers, budgetary autonomy and independence of action.

The Compliance Unit is linked to the Sustainable Development Committee.

The Unit carries out its functions in connection with the Company's Compliance System and coordinates those carried out autonomously by the compliance divisions of each of the companies in the Group.

Each of the *sub-holding* companies and the business parent companies has a compliance division, linked to a consultative committee of its board with specific compliance functions, if established, or to its board of directors if not. These compliance divisions, which, as mentioned above, act in coordination with the Unit, ensure the effective functioning of their respective company's compliance system.

This report includes the main actions, initiatives and measures developed, promoted and adopted by the Unit and the different compliance divisions during 2021, which illustrate the functioning of the Compliance System of the Group's companies and highlight its effectiveness.



2. The Unit and the compliance divisions

2.1 The Unit and the compliance divisions

The Unit is a permanent internal decision-making body, linked to the Sustainable Development Committee and with broad competences in the field of compliance, including interpretation, implementation and development of the *Code of Ethics* [\[2\]](#) (except its section C, relating to the directors), the *Anti-Corruption and Anti-Fraud Policy* [\[3\]](#), the *Crime Prevention Policy* [\[4\]](#), the *Internal Regulations for Conduct in the Securities Markets* [\[5\]](#) and the Internal Regulations for the Separation of Activities.

The composition, powers and functioning of the Unit shall be regulated in the *Compliance Unit Regulations* [\[6\]](#). Its members are appointed by the Board of Directors on the basis of a report from the Company's Appointments Committee.

The Unit, which held 10 meetings during the 2021 financial year, has different corporate and business areas of the countries in which the Group is present represented in it.

The Unit, represented by its director, appears and reports regularly to the Sustainable Development Committee to report on activities, actions and incidents related to the compliance function. In 2021, the Compliance director reported 6 times to the Sustainable Development Committee and twice to the Audit and Risk Supervision Committee.

The various compliance divisions also periodically report to their management bodies or their audit and compliance committees, as appropriate, on the most relevant issues of the activities carried out by the compliance function during the year. The separation and appointment of the Compliance Directors corresponds to the Boards of Directors of the *sub-holding* companies and business parent companies.

The compliance divisions of the *sub-holding* companies relate to the Unit through the *General coordination, collaboration and information protocol* which, approved by the Unit in accordance with the provisions of *Governance and Sustainability System* [\[7\]](#), regulates the relations between them. Without prejudice to their management autonomy, the

Budgetary
autonomy and
independence of
action



96 appearances of
compliance directors
before their respective
governance bodies in
2021



compliance divisions shall endeavour to coordinate their actions and to comply with the general guidelines issued by the Unit in order to ensure the effectiveness of the Compliance System of the companies of the Group.

In the financial year 2021, 31 coordination meetings were held between Iberdrola's Compliance Director and the compliance divisions of the *sub-holding* companies.

2.2. Budgets and resources

Both the *Regulations of the Compliance Unit* ^[7] and the regulations of the different compliance divisions establish that the compliance function will have the necessary material and human resources to perform their functions. Thus, on an annual basis, the respective governing bodies approve the budget of the Unit and the compliance divisions, giving them the necessary autonomy and independence for the exercise of their functions.

2.3 Professional qualifications

Compliance directors and the other professionals who work in compliance have proven knowledge, experience and skills to perform their duties.

The main certifications in terms of compliance that have been obtained by professionals in the compliance function are as follows:

- Certified Compliance & Ethics Professional (CCEP) issued by the Compliance Certification Board (CCB) of the Society of Corporate Compliance and Ethics (SCCE).
- Leading Professional in Ethics and Compliance (LPEC), issued by Ethics and Compliance Officer Association (ECOA).
- Certified Fraud Examiner (CFE) issued by the Association of Certified Fraud Examiners (ACFE).
- Certificate of Compliance (CESCOM), issued by the Spanish Compliance Association (ASCOM).
- International Compliance Officer Certificate (CICO), issued by the Institute of Compliance Officials (IOC).

Training and updating the knowledge of compliance professionals is one of the commitments promoted by the Unit. In this context, during 2021, members of the compliance divisions took part in various training activities on ethics and compliance, allocating a total of 1,007 hours to these activities.



€9.3 million

**budget
in the Group**



52 employees
**in the Group's
companies as a
whole
that work full time**



**20 hours of
training received
on average by
the professionals of the
compliance function**



3. Compliance risk analysis and assessment

The Unit and the compliance divisions periodically update the compliance risk map, following the guidelines established in the *Compliance Risk Assessment Guide* approved by the Unit, including the assessment of the likelihood of materialisation of each risk and the impact that such materialisation would have.

These risk maps are drawn up on the basis of a homogeneous risk inventory for the Group's perimeter and using a common methodology. The risks under assessment are grouped into the three categories for which the compliance function is responsible: (i) crime prevention; (ii) separation of activities; and (iii) securities market, as reflected in the table below:

Crime prevention	Separation of activities	Securities Market
Corruption and fraud	Scope	Market abuse
Money laundering and the financing of terrorism	Effective separation	Unsuitable safeguarding of information
Market abuse	Brand image	Disclosure to the regulator
International Sanctions	Common service costs	Updating of records
Embezzlement	Management independence	
Permits, licences and public administrations	Trade-sensitive information	
Fraud against public authorities and Social Security	Independent supervision	
Criminal insolvency	Network access	
Intellectual and industrial property	Price discrimination	
Contraband		
Anti-competitive practices		
Falsifying of public information		
Data protection		
Cybercrime		
Trade secrets		
Occupational health and safety		
Workers' rights		
Impeding third-party supervision		
Facility safety, environment and public health		
Consumer protection		



Each of the compliance divisions analyses the possible existence of such risks in their respective *sub-holding* company and business parent company and in each of the corporate areas and businesses involving more than 150 professionals in key positions.

The information obtained is used to draw up the compliance risk map for each entity, which is updated periodically, identifying the main controls in place within the Group's perimeter to mitigate them and proposing, where appropriate, improvement actions to reinforce the effectiveness of these controls. In order to accredit the correct functioning of these controls, the Group companies' compliance system has 1,655 pieces of evidence that are provided annually by the 290 Group professionals responsible for their execution.

The risk maps of each company are regularly updated by their respective compliance divisions.



**1,655 pieces of
evidence
of the correct
functioning
of the Group's
controls**





4. Regulations

The Group companies' compliance system is structured on the basis of: (i) certain regulations approved by the Board of Directors and which form an integral part of the Governance and Sustainability System; and (ii) the complementary regulations developed and approved by the Unit under the powers granted to it by the *Compliance Unit Regulations* ^[1], and which are also mandatory for the professionals.

Internal regulations approved by the Board of Directors ¹	Regulations approved by the Unit
Code of Ethics	General framework of the Iberdrola Group's Compliance System
Crime Prevention Policy	General coordination, collaboration and information protocol
Anti-corruption and anti-fraud policy	Protocol for corporate transactions
Internal Regulations for conduct in the Securities Markets	Protocol for Contributions of Social Content, Donations and Sponsorships
Internal regulations for the processing of inside information	Protocol for the Risk Management of Third-Party Fraud and Corruption
Procedure for related party transactions with members of senior management, delegated related party transactions and related party transaction lines	Standard Operating Procedure to ensure Fair Competition
	Action protocol with respect to gifts and hospitality
	Protocol for Action in the Event of Notification of Judicial and Administrative Sanctioning Proceedings
	Case Processing Guide of Iberdrola S.A.
	Compliance Risk Assessment Guide
	Third-party risk assessment
	Guidance on how to carry out the <i>background check</i> prior to taking up managerial duties

¹ The regulations approved by the Board of Directors (except for the Procedure for Related Party Transactions with Senior Management, Delegated Related Party Transactions and Related Party Transaction Lines) are available at www.iberdrola.com

The consultation of internal regulations by professionals via the corporate intranet is monitored by the compliance function as one of the indicators of the effectiveness of the communication and training actions that are systematically carried out.



5. Risk management

5.1 Third parties

Pursuant to the provisions of the *Protocol for the management of the risk of fraud and corruption of third parties*, suppliers and debtors of the Group companies¹ are assessed on fraud and corruption.

This analysis is carried out before the supplier can be invited to any contracting process.

The risk assessment of the third party considers, among other matters:

- Links with countries considered by the compliance function to be above a certain level of risk.
- International Sanctions.
- Adverse news or incidents in the field of:
 - Human rights.
 - Modern slavery.
 - Corruption and bribery.
 - Other irregularities and unlawful conduct.
- Links with persons with public responsibility or public entities.

Based on this analysis, the compliance function rates the fraud and corruption risk of suppliers and debtors and records this rating in the corporate systems. If the risk exceeds a certain level, the compliance function will monitor all transactions intended to be entered into with that third party.

Suppliers and debtors considered to be above acceptable risk are classified as critical risk and blocked in the systems, preventing the formalisation of any transaction or payment in relation to them.



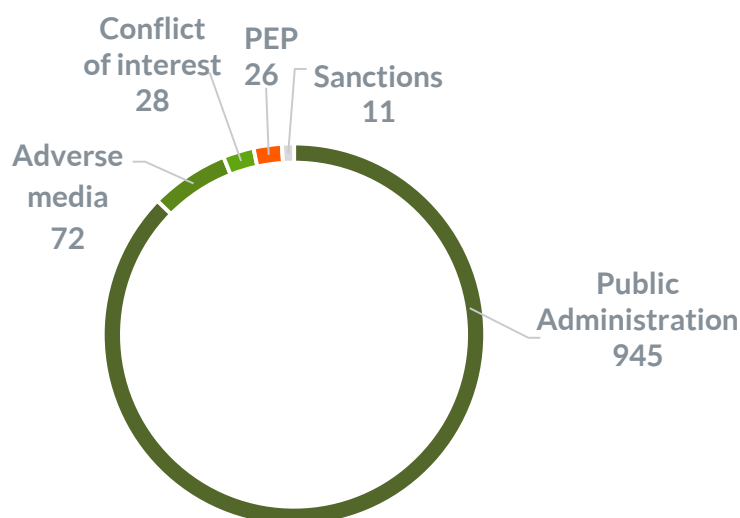
3,801
third-party
assessments carried
out in Group
Companies
in 2021

¹ Except the suppliers of C. Rokas Industrial Commercial Company, S.A. (Greece) and Iberdrola Australia Ltd. (Australia).



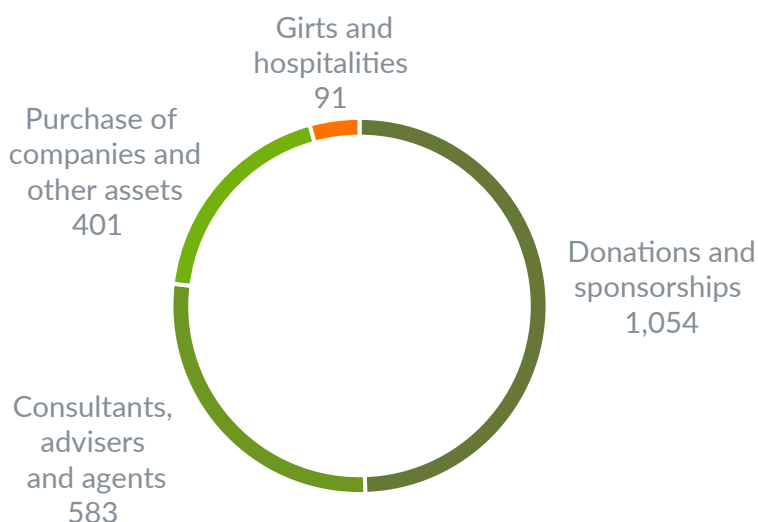
After the initial *screening* upon registration, the Group's suppliers and debtors are monitored on a daily basis through the fraud and corruption databases (*ongoing screening*). The relevant compliance division is automatically alerted as soon as there is a new development concerning one of the Group's suppliers and debtors and immediately analyses it in order to update the risk assessment of the supplier or debtor.

NO. OF TRANSACTIONS IN THE YEAR 2021 THAT HAVE SOME KIND OF RISK FACTOR



In addition, the compliance function also monitors certain types of contracts which, by their nature, are considered a higher than normal risk.

NO. OF TRANSACTIONS SUPERVISED BY COMPLIANCE (CLASSIFIED BY NATURE)





Furthermore, the *Investment policy* involves the compliance function in strategic decisions by establishing the need for the relevant compliance function to carry out, prior to approval, an analysis of the potential risk of fraud and corruption associated with each investment or divestment project. During 2021, the compliance divisions have assessed a total of 111 projects.

Sustainability - Development of suppliers

The compliance function, in line with the Group's strategic goals on sustainability, encourages the development of compliance systems in the third parties with which it interacts.

In coordination with the Purchasing Division, the compliance function maintains regular contact with strategic suppliers in order to promote the implementation in their organisations of effective compliance systems aligned with the principles set out in the Governance and Sustainability System.

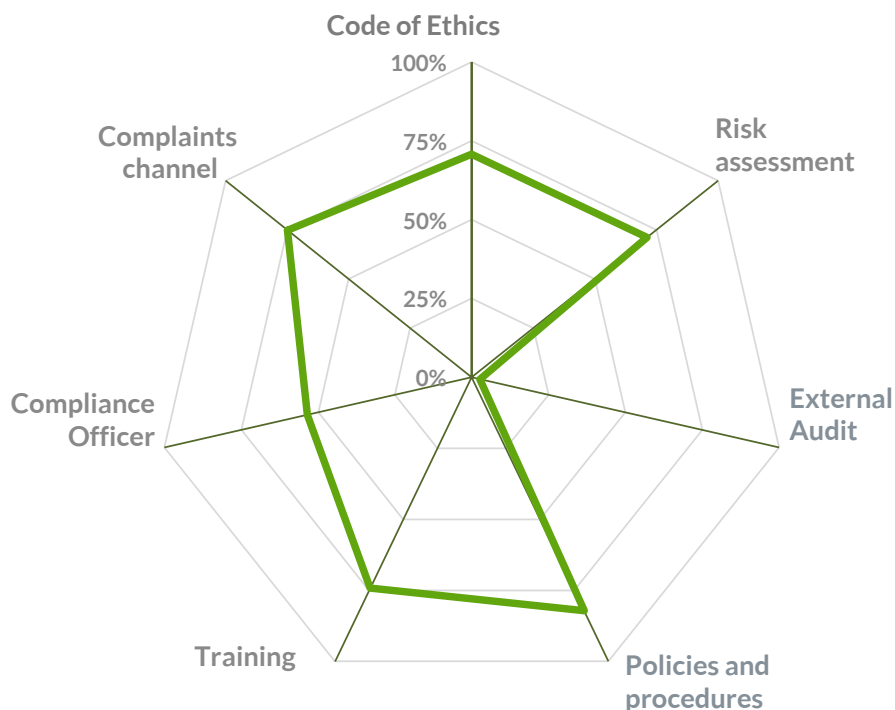
The impact of these actions is monitored through the evolution of the supplier's score in the supplier assessment model developed by the Purchasing Division according to ESG criteria. (*Environmental, Social and Governance*).

SUSTAINABLE
DEVELOPMENT
GOALS



1,541 main
suppliers of the
Group's companies
have a robust
compliance system in
place*

PRESENCE OF ELEMENTS OF A COMPLIANCE SYSTEM IN GROUP'S SUPPLIERS **



* A score of 7 out of 10 or more in the ethics and compliance section of the supplier assessment model.

** Information on the 3,863 suppliers of the Group companies with the highest turnover in the 2019-2021 period.



The compliance function is proactively requesting its key suppliers to have their ethics and compliance systems audited by an independent third party.

In addition, 12 training sessions for suppliers on ethics and compliance were held in 2021, attended by almost 400 people.

5.2 Professionals

Background checks

Following the recommendations of *Circular 1/2016 of the Public Prosecutor's Office*, prior checks are carried out regarding the persons who assume managerial functions, through the analysis of publicly available information, in order to ensure their suitability from the perspective of compliance (*background checks*).

In 2021, the compliance function carried out 236 *background checks* on the members of the management teams of Group companies without any significant risks coming to light.



236 background checks to the management team

Conflicts of interest

In accordance with the provisions of the *Code of Ethics* [\[7\]](#), professionals are obliged to report in writing any conflict of interest situations in which they find themselves.

In 2021, the compliance function collected 2,870 declarations of conflicts of interest from members of the management team and certain professionals in key positions within the Group's perimeter.

Following the analysis of all communications, the compliance function recommended specific preventive measures in 31 cases.



2,870 conflict of interest disclosures recommending in **31 cases** specific preventive measures

Related Transactions

In accordance with the provisions of the *Procedure for related party transactions with members of senior management, delegated related party transactions and related party transaction lines* and similar regulations applicable in *sub-holding* companies and business parent companies, the Unit and the compliance divisions have sought information from the members of senior management of their respective companies about:

- (i) any conflicts of interest that they or their related parties may have with Group companies;
- (ii) and any related-party transactions they intend to carry out.



During the financial year 2021, one of the members of senior management of one of the Group companies reported a potential conflict of interest, which was managed by the relevant compliance division by taking appropriate measures to ensure compliance with the provisions of the *Code of Ethics* [\[7\]](#).

Gifts and hospitality

The *Protocol for gifts and hospitality* sets out the principles to be observed by professionals for the offer and acceptance of gifts from third parties in the professional environment.

The compliance function handled 233 queries within the Group's perimeter related to the acceptance of gifts and hospitality received, especially during the Christmas period.



233 consultations
in the Group
related to gifts and
hospitality

5.3 Competence

In accordance with the provisions of the *Action Protocol for Fair Competition* and other similar regulations, a series of measures and controls have been implemented with the aim of ensuring compliance with the legislation in force in this area in the following areas:

Tax	Area
Collusion	Retail of energy
	Wholesale market
	Tenders and public auctions
Unfair competition	Signing up
	Grid management
Abuse of dominance	Retail of energy
Concentrations	Consortia
	Corporate transactions
Provider /Supplier relationships	Tenders

5.4 Prevention of money laundering

Iberdrola Inmobiliaria, S.A.U., ("**Iberdrola Inmobiliaria**") due to the nature of the activity, is subject to *Law 10/2010, on prevention of money laundering and the financing of terrorism, of 28 April*, (the "**Money Laundering Law**"), therefore the company has implemented



the *Procedure for action on the prevention of money laundering and financing of terrorism*, the main purpose of which is to prevent this type of crime.

Although Iberdrola, S.A. and the other Spanish companies are not subject to the Money Laundering Law, the risk of committing this type of crime is included in the respective programmes for the prevention of the commission of crimes implemented at the various companies of the Group. As a consequence, all companies have controls in place to suitably cover this risk.

Iberdrola Inmobiliaria has implemented the Action Procedure for the prevention of money laundering and the financing of terrorism


Regarding Iberdrola Inmobiliaria, the company produces an annual report on its prevention of money laundering and financing of terrorism activities which is presented to the Audit and Compliance Committee.

In 2021, the Internal Control Body of Iberdrola Inmobiliaria did not receive any reports of suspicious transactions, and there were no reports to the Executive Service of the Commission for the Prevention of Money Laundering and Financing of Terrorism (“**SEPBLAC**”), nor has the aforementioned company received any communication, official request or notice of the commencement of inspections by SEPBLAC.

In addition, Ernst & Young has carried out the external expert audit of the Money Laundering Law, with a favourable result.



6. Market abuse regulations

The **Internal Regulations for conduct in the Securities Markets ("RIC")**  is an internal regulation that forms part of the Governance and Sustainability System and applies to the members of the Board of Directors and senior management of the Company, as well as:

- (i) those other persons ("**Affected Persons**") who, in accordance with the regulations in force from time to time, are designated by the Unit in view of their regular and recurrent access to information that may be considered Inside Information (as defined in the regulations themselves);
- (ii) persons who temporarily or transiently have access to Inside Information of the Company by reason of their participation or involvement in a transaction or an internal process involving access to Inside Information ("**Insiders**"); and
- (iii) the Company's treasury share managers.

The currently applicable version of the RIC is available on the company's corporate website and Employee Portal.

The Internal Code of Conduct for Securities Markets sets out rules for the management, control and transparent communication of Inside Information

The RIC establishes rules for the management, control and transparent communication of Inside Information, as well as for the conduct of treasury share transactions, and imposes certain obligations, limitations and prohibitions on Affected Persons, Insiders and the Company's treasury share managers.

All of the above, in order to protect the interests of investors in the securities of the Company and the Group and to prevent and avoid any situation of abuse, without prejudice to encouraging and facilitating the participation of its directors and professionals in the capital of the Company within the strictest respect for the law in force.

The RIC entrusts the Unit with the function of ensuring compliance.

In accordance with the provisions of the RIC, the Unit maintains the following registers:

- Register of Affected Persons, which includes persons who have regular and recurrent access to Inside Information.
- Register of Treasury Share Managers, which includes the persons who manage the Company's treasury share transactions.
- List of Affected Securities, which at year-end 2021, are: (i) listed securities issued by the companies listed below; and (ii) financial instruments and contracts giving the right to acquire or transfer, or underlying, the following securities:

Iberdrola S.A.	SP Distribution plc.
Iberdrola Finanzas, S.A.U	Scottish Power UK plc.
Iberdrola Finance Ireland DAC.	SP Manweb plc.
Iberdrola International B.V.	SP Transmission, PLC.



The Unit also keeps at the disposal of the supervisory authorities copies of all Registers of Insiders communicated to it and an updated list of securities, instruments and contracts that are to be considered as Affected Securities under the RIC.

The measures and other actions carried out by the Unit in relation to the RIC are subject to annual review by an independent expert (Uría Menéndez), through an audit and verification process. As a result of this process, the report for the 2021 financial year concludes that the Unit has adequately carried out the necessary actions to ensure compliance with the RIC and the applicable securities market regulations.



7. Separation of activities

Brazil, Spain, Mexico, the US and the UK each have their own sector-based regulations designed to ensure the supply of electricity.

Generally speaking, this legislation allows certain activities, such as production and marketing (liberalised activities), to be carried out under free competition, while other activities are subject to a natural monopoly, including the distribution and transmission of electricity and gas (regulated activities).


Some of the countries referred to require liberalised and regulated activities to be separate, so as to ensure transparent, non-discriminatory and efficient management of the electricity and gas systems.

The respective *sub-holding* companies have specific internal regulations on this matter, compliance with which is monitored annually by the relevant compliance divisions.





8. Training

Training is one of the fundamental pillars of the compliance function and of the awareness of and compliance with the *Code of Ethics*  by all professionals in the Group's companies. In this context, the Unit and the compliance divisions plan their training activities on an annual basis in collaboration with the corresponding human resources divisions.

The Unit's training strategy is based on global training initiatives for the professionals of the Group's companies on compliance issues of a general nature and applicable to the majority of the workforce, and additionally develops specific training plans for certain groups of professionals for whom special and specific compliance risks have been identified.

For all this, the Unit and the compliance divisions use different training formats such as online courses, telematic courses, videos, face-to-face training sessions given by external professionals or by those responsible for the compliance function.





9. Communication

Dissemination and communication of ethical principles is another essential element of the Group companies' compliance system.

For communication activities, the available tools and channels have been used, selecting the most effective according to the specifics of each case. The support, collaboration and advice of the Communication Department have been available at all times.

Number of communication initiatives

Internal activities		Outside Activities	
Mailing	87	Events	12
Newsletter	21	Mailings	3
Employee Portal	29	Masters' and postgraduates	2
Knowledge sharing sessions	75	Press	5
Video	5	Social media	6
Specialised journals	1		
All internal	217	All external	29

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- ▶ We protect those who report in good faith from retaliation
- ▶ Reports are confidential to the extent feasible and can be anonymous

AVANGRID **INTEGRITY MATTERS**
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TYPE OF ISSUE	RECOMMENDED CONTACT*
Employee conduct (including discrimination and harassment) and labor practices	The Human Resources HRHub at 833.246.6347 or onehrhub@avangrid.com
Cyber and physical security concerns	– 9-1-1 for law enforcement (emergencies only) – Corporate Security's 24/7 Security Operations Center at 855.548.7276 or CorporateSecurityUSA@avangrid.com
Work-related safety and environmental issues	The EHS360 incident reporting site or the Environmental, Health & Safety group at AVANGRIDHealthSafety@avangrid.com
Legal proceedings against the company or an employee	Legal Services at LegalServices@avangrid.com
Violations of law or the Code of Business Conduct and Ethics and guidance when you are unsure what to do	The Compliance Division at CorporateCompliance@avangrid.com or our 24/7 helpline with an anonymous reporting option at avangrid.com/speakup or 877.606.9171

*AVANGRID has an open door policy. We encourage you to have concerns with your manager or senior leadership.

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10. Ethical mailboxes

The Group companies have whistle-blowing channels to report any conduct that may involve the commission of any irregularity or any act contrary to the law or to the rules of conduct set out in the [Code of Ethics](#) or other internal rules or procedures. In addition to whistleblowing, these channels are used for consulting on aspects relating to the interpretation of and Compliance of the [Code of Ethics](#) and the rest of the internal regulations on compliance.

All communications received through these channels are considered confidential information and, in the case of complaints, may be anonymous.

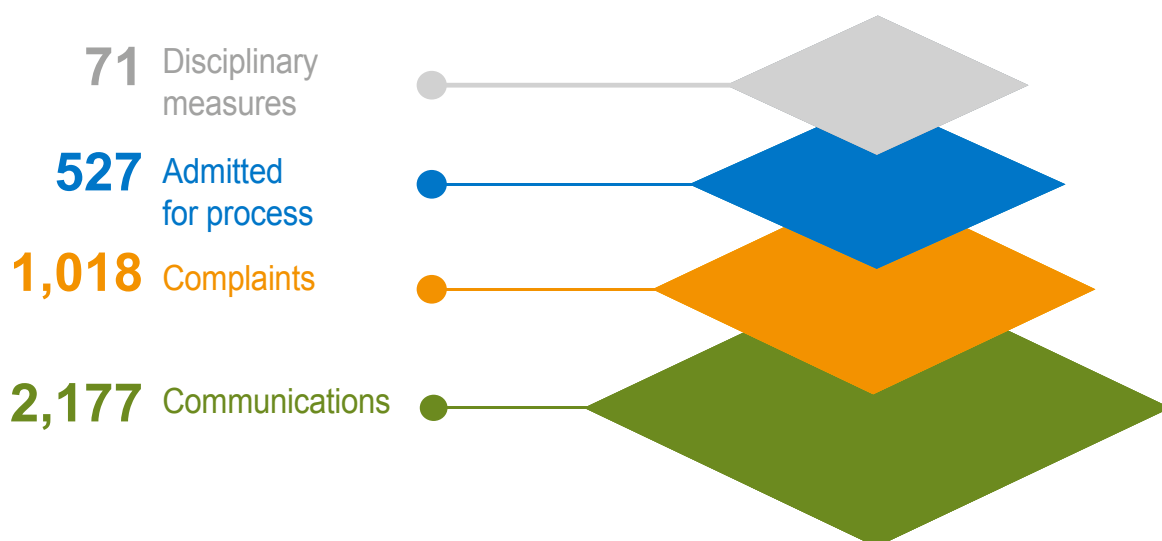
All communications received through the enabled channels are
treated as **confidential information**

Whistleblowing channels are available to the professionals, suppliers and shareholders of all Group companies.

In the specific case of professionals, all those who have reasonable indications of the commission of any irregularity or of any act contrary to the law or to the rules of action of the [Code of Ethics](#) are obliged to report it through the whistleblowing channels.


There is a firm express commitment, reflected in the [Code of Ethics](#), in the [Policy against corruption and fraud](#) and in the remaining internal procedures and regulations on the matter, not to take reprisals against those using these mailboxes, except in cases of bad faith. The relevant compliance director regularly monitors the personal and employment situation of the whistleblower to ensure that they do not suffer any retaliation.

A total of 2,177 communications were received by the Group through the ethics mailboxes in 2021, of which 1,159 were queries and 1,018 were complaints.

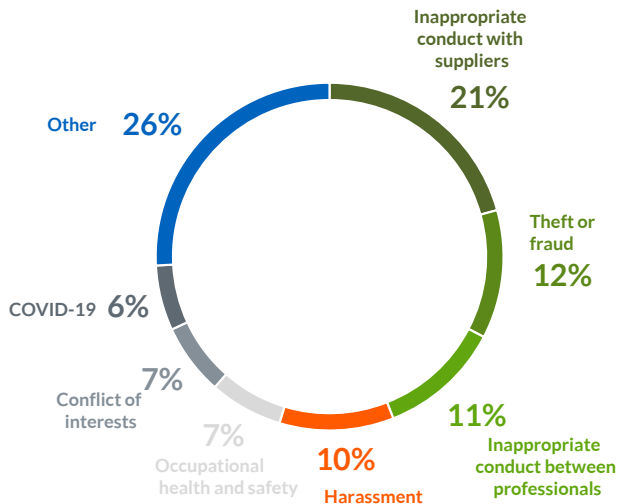




Of the 1,018 complaints, 527 have been admitted for processing, of which 77 have been classified as having a potential human rights impact.

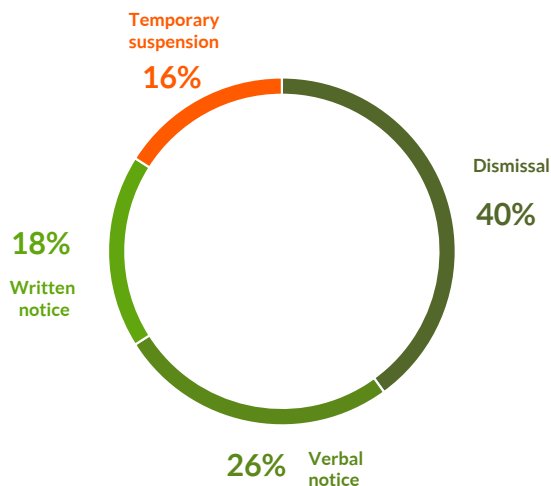
In 2021, 71 disciplinary measures were taken within the Group's perimeter¹ as the existence of irregular conduct or conduct contrary to internal regulations or the *Code of Ethics*  has been shown.

ADMITTED FOR PROCESS



9% of the complaints admitted for processing in 2021 resulted in disciplinary action being taken

DISCIPLINARY MEASURES



Professionals in the Group's companies have confidence in the channels provided to make their complaints or enquiries; this can be seen from the rate of communications received per 100 professionals in comparison with public reports and studies on the subject.

¹ Of the 71 disciplinary measures, 22 relate to complaints received in previous years



11. Monitoring and review

11.1 Monitoring indicators

On a quarterly basis, the Compliance Unit supervises the effectiveness of the compliance system of the Group companies by reviewing the indicators of the main compliance risks (KRIs) as well as the effectiveness of the Unit's activity and the compliance divisions (KPIs). The indicators cover the following aspects, among others:

- Operations in countries considered by the compliance function to be above a certain level of risk.
- Third-party risk assessments.
- Ethics mailbox activity.
- Monitoring risky operations.
- Ethical development of suppliers.
- Training activities.
- Internal and external communication initiatives.
- Conflicts of interest.
- *Employee background checks*
- Gifts and hospitality given and received by professionals.
- Legal proceedings involving professionals.
- Audits and reviews of the Group companies' compliance systems.

11.2 Internal audit

Internal Audit, as an independent function, carries out periodic audits of the compliance system of the Group companies, making the appropriate recommendations for their continuous improvement.

During the 2021 financial year, the specific controls for the prevention of certain crimes (including anti-corruption measures) and the operation of the ethics mailbox were audited.

11.3 External reviews

Compliance Leader Verification

The *Compliance Leader Verification* certification, awarded by the Ethisphere Institute, a US-based global leader in defining best practices in compliance, is given to companies that not only comply with current regulations, but also demonstrate the existence of an internal culture and leadership that promotes ethical values in the conduct of their business.



During the 2021 financial year, the Company has renewed the certification it achieved for the first time in 2018.

ISO 37001 "Anti-bribery management system" and UNE 19601 "Criminal compliance management system" certification.

In 2021, AENOR certified the Compliance System of the Iberdrola group companies in accordance with:

- (i) the UNE-ISO 37001 standard on anti-bribery management system; and
- (ii) the UNE 19601 standard on criminal compliance management systems.

Renewing both certifications that were first obtained in 2017.



External audit of the crime prevention programmes

In 2021, the law firm Uría Menéndez issued an external audit report on the effectiveness of the crime prevention programmes implemented in the various Group companies. The review concludes that these programmes incorporate and adopt the best international practices, are effective and are useful in significantly reducing the risk of commission of the crimes that they seek to prevent. Likewise, the assessment work brought forth certain improvement recommendations, the implementation of which is coordinated by the respective compliance divisions.

Crime prevention programmes have been subject to the aforementioned annual audit since 2015.

The compliance system is audited externally by the Group companies every year





12. Acknowledgements

12.1 World's Most Ethical Companies list

The Company has been recognised for the eighth consecutive year as one of the world's most ethical companies, according to the 2021 ranking for the *World's Most Ethical Companies* produced by the *Ethisphere Institute*.

In drawing up this list, *Ethisphere* assesses the existence of an effective compliance system, reputation, the presence of an ethical culture at all levels of the organisation and in all its activities, corporate governance and social responsibility. This recognition was granted to 135 companies worldwide in 2021; Iberdrola, S.A., was the only Spanish company on the list.



12.2 Expansión Awards

Expansión awarded the Company the prize for "*Company with best Compliance practices 2018-2019*", recognising the effectiveness and robustness of the Compliance System of the Group's companies and the development of the company's ethical culture.

In 2019, the Company was a finalist in the "*Ethical initiative*" and "*Innovation*" categories and in 2021 it was a finalist in the "*Best use of disruptive technologies in Compliance*" category.

These awards represent a return on the efforts taken by the companies and their managers to implement effective compliance systems in their organisations.

12.3 International Transparency

Iberdrola, S.A. has been considered as the most transparent company in the Ibex 35 by Transparency International, according to the 'Index of Corporate Transparency in Integrity, Compliance and Human Rights'.

This index analyses the public information of Ibex 35 companies according to the parameters of human rights, regulatory compliance, anti-corruption programmes, organisational transparency and information by country.



13. Dissemination and promotion of business ethics

The compliance function carries out activities aimed at promoting the adoption of effective compliance systems in the business fabric, as well as the development and professionalisation of the compliance function in organisations.

In line with the above, the following activities, among others, were carried out during the year:

- Since 2018, the Company has been promoting the Iberdrola Chair of Economic and Business Ethics together with Comillas Pontifical University. The main objective of this initiative is to promote the study and dissemination of the principles of business and professional ethics in all areas.
- In 2021, the Company continued to head an innovative project to develop a platform using *blockchain* technology to streamline and provide guarantees to the process of assessing the compliance of third parties. During this financial year, the Company, the Spanish Association of Registrars, Deloitte and the Institute of Compliance Officers have developed the functional design of this platform with a view to its future implementation.

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- The Company sponsored the International Compliance Congress organised by the Spanish Compliance Association (ASCOM) and the International Federation of Compliance Associations (IFCA).
- The Company was the main sponsor of the International Compliance Week organised by the Institute of Compliance Officers (IOC), the *World Compliance Association* and Cumplen (professional associations that promote a culture of compliance in organisations).
- In 2021, the Company and the Polytechnic University of Madrid renewed their collaboration agreement for the "Iberdrola-UPM Chair: SDG Chair" to develop the Sustainable Development Goals ("**SDG**"). One section of the Chair addresses the SDG "Peace, justice and solid institutions" with the aim of promoting good practices in ethics and compliance and the fight against fraud and corruption.
- In collaboration with the Educación para Compartir association, the Company has developed the "Games, values and action" project in Mexico. This is a series of workshops aimed at promoting fair play, empathy, respect, gender equality, tolerance, teamwork



€566 thousand
in 2021 earmarked
by the Group to
promote business
ethics



and responsibility among children. In these workshops, aligned with the SDG, 2,643 primary school students and 130 teachers from 14 schools in Cuyoaco, Tamazunchale and Altamira participated.



