Introduction to Book Five - Corporate Governance

11 May 2021

1. The Governance and Sustainability System constitutes the Company’s own internal system that it establishes, in the exercise of the corporate autonomy supported by law, to ensure through its rules the preservation of its identity, the realisation of its purposes and values, and the achievement of its business ends and objectives.

2. As befits the maturity of the Governance and Sustainability System, the corporate policies are characterised by their evolution, consistency and coverage, as well as by their function of embedding and specifying the ideological and axiological content of the purpose and values in guidelines and standards for conduct that rationalise management decisions in recurring or particularly important fields and issues that so require, and constitute an essential part of the Governance and Sustainability System.

3. They thus entail a sensible limitation to the discretion that the directors and professionals of Iberdrola must have in the performance of their duties, thereby defining safe lines of conduct within the framework of respect for and observance of human rights, of the contribution to the achievement of the Sustainable Development Goals (SDGs) approved by the United Nations, of compliance with the “ESG” requirements and with the goals established by the Paris Agreement and the UN 2030 Agenda for Sustainable Development, in the monitoring of which it may be assumed, prima facie, that the corresponding actions adhere and conform to the Purpose and Values of the Iberdrola group and to the corporate interest of Iberdrola, which they help to realise and further develop.

4. Due to its structure and organisation, its international nature and dimension and its nature as a listed holding company, the owner of an international energy production and distribution business of unquestionable economic and social significance, guided by the purpose and values that identify it, the corporate governance and compliance policies and rules, which are intended to give effect to the Purpose and Values of the Iberdrola group through the alignment of the corporate decision-making bodies of the Company and of the various companies of its group with its sustainability goals, are particularly significant in the internal organisation of Iberdrola.

5. The decisions on strategy and supervision, on administration and management, and the development of the business of the Company and of the companies of its group thus serve to most efficiently achieve their goals.

6. The policies and rules contained in this book five of the Governance and Sustainability System are structured into four categories: (i) corporate governance and regulatory compliance policies; (ii) risk policies; (iii) rules on governance of the corporate decision-making bodies and of other internal functions and committees; and (iv) market abuse prevention rules.

7. The corporate governance and regulatory compliance policies, which are included within Iberdrola’s global sustainable development strategy, play a fundamental role in its internal organisation and in the proper performance of the activities of the Company, an entity that is not limited to its corporate dimension, i.e. a listed company and a holding company for a multinational group of companies (that differentiates the functions of strategy, supervision and control of the overall group, of organisation and coordination of the businesses of each territory, and of day-to-day administration and management), but also includes its reality as a comprehensive and inclusive company, committed to all of its Stakeholders and especially, to the extent relevant here, to its shareholders and professionals, and with due observance of the legal and ethical framework within which it must unequivocally conduct itself.

8. The risk policies, for their part, are those relating to actions preventing and mitigating all risks that affect the performance of Iberdrola’s broad and ambitious business enterprise, and which are therefore extensively dealt with, covering a wide range of issues and conduct, establishing standards for a multiplicity of risks, from corporate to business, including financial risks, security risks and reputational risks.

9. The governance rules of the corporate decision-making bodies and of other internal functions and committees establish the rules of operation of the main corporate decision-making bodies of Iberdrola, in accordance with its nature and characteristics as a listed holding company. Based on the corporate configuration of the Iberdrola group contained in the By-Laws, and always with a view to proper compliance with and implementation of the Purpose and Values of the Iberdrola group, these rules seek the primary goal of regulating the most appropriate levels and most suitable procedures for the proper operation of the Company and its internal bodies and committees, defining the composition, powers and operating rules of its main decision-making and management structures, among other aspects, as well as the rights, duties and obligations of their members.
10. Iberdrola aspires for both its own conduct as well as that of the people connected thereto to be consistent with and conform to not only the requirements or demands established by applicable rules and laws, but also, beyond this minimum mandatory level, to the entirety of its own Governance and Sustainability System, which includes the best practices generally accepted in the international markets in the areas of good corporate governance and transparency. Furthermore, since Iberdrola is a public company and an issuer of securities and financial instruments that are traded and listed on markets of this type, the Governance and Sustainability System must also address this particular corporate dimension, an issue with respect to which the compliance function is particularly important. This is reflected in the section that groups together the Internal Regulations for Conduct in the Securities Markets, as well as the Internal Rules for the Processing of Inside Information. As a whole, these rules make up a solid and efficient system designed to ensure that all investors are on an equal footing, protected against the improper use of inside information and potential market manipulation.

11. With a focus on its own corporate organisation and operation, which also extends to the financial markets in which it has a presence, Iberdrola reaffirms in this area as well its unflagging commitment to ensuring that its own conduct and that of the persons connected thereto not only meet and comply at all times with the requirements established by applicable laws and regulations but also exceed this minimum mandatory level, in order to satisfy the more far-reaching and extensive requirements and standards imposed by its own internal discipline and system.

12. To the extent applicable thereto, the corporate governance and regulatory compliance policies and the risk policies, as well as the governance rules of the corporate decision-making bodies and other internal functions and committees and the market abuse prevention rules, are binding on the corporate decision-making bodies and other internal committees of the Company, its directors, its professionals, and, in general, on any persons who may be validly bound thereby, or those who may act or establish relations with Iberdrola.

13. The approval of the corporate governance and regulatory compliance policies, risk policies, governance rules of the corporate decision-making bodies and other internal functions and committees, as well as the market abuse prevention rules, is entrusted to the Board of Directors, in accordance with and taking into account the exceptions set forth in applicable law, with the participation, if applicable, of specialised committees, particularly the Audit and Risk Supervision Committee and the Sustainable Development Committee, all without prejudice to the power of the shareholders acting at a General Shareholders’ Meeting, who are ultimately responsible for approving the corporate focus and management as well as the comprehensive economic and social results of the group.

14. Like the rest of the Governance and Sustainability System, the policies and rules contained in this book five are subject to a process of ongoing review for adaptation, adjustment and improvement to ensure that they conform to the context in which Iberdrola carries out its business activities, to applicable law and to the best practices applicable.

In Bilbao, on 11 May 2021.
The Board of Directors of Iberdrola, S.A.