Introduction to Book Two - Purpose

19 April 2021

1. The Governance and Sustainability System constitutes the internal framework of rules for Iberdrola and for its group, established, in exercise of the corporate autonomy that the law supports, to ensure through its rules the realisation of its purpose and its values, as well as the achievement of its business ends and goals.

2. The Governance and Sustainability System of Iberdrola and its group, and more specifically its By-Laws, which are the primary source and standard thereof, recognise and validate the fact that Iberdrola and its group are guided and governed by a purpose and values, which make up its corporate philosophy, its ideological and axiological foundation.

3. The mandate in the By-Laws to formulate, implement and realise the purpose and values within the framework of the Governance and Sustainability System has far-reaching implications. Among other issues, it means that the achievement thereof constitutes Iberdrola’s determining and ultimate purpose, which, strictly speaking, identifies it and singles it out as a business enterprise. Hence, the adoption of a purpose and values, which transcend the achievement of purely financial benefits in the short term, in itself sets a clear guiding star, a precise guide and focus for its work, a singular understanding and comprehension of the role to be played by its Stakeholders, as well as of its links and ties with the communities with which it interacts. In short, the identification and definition of a specific purpose and values means that its entire internal organisation, the Governance and Sustainability System, is conceived, implemented, applied and interpreted in terms of both one and the other, as they constitute its true foundational, informing and guiding principles.

4. The By-Laws give to the Board of Directors the power to define and formulate the purpose of Iberdrola and its group. This power has been exercised by the Board of Directors, which has defined Iberdrola’s purpose, its raison d’être, as “to continue building together each day a healthier, more accessible energy model”, as well as its values, its way of being, as summarised with the expressions “sustainable energy”, “integrating force” and “driving force”.

5. The Purpose and Values of the Iberdrola group rest upon and are further developed in the basic definitions regarding corporate purpose, corporate interest, social dividend and good governance set forth in the Preliminary Title of the By-Laws.

This purpose and the values guide Iberdrola and its group towards comprehensive (economic, social and governance), responsible and sustainable corporate action that contributes to the achievement of the Sustainable Development Goals (SDGs) approved by the United Nations, meets ESG (Environmental, Social, and Governance) requirements, and seeks to obtain profits and the satisfaction of equally comprehensive economic and social “dividends” for all of its Stakeholders, for the communities in which it operates, and for society in general.

6. Thus conceived, the purpose and values identify Iberdrola and its group as a business reality that transcends its merely commercial nature to stand as an institutional endeavour that integrates all of its specific Stakeholders within its enterprise, and which, at the same time, is integrated within society with a decisive focus on involvement, commitment and leadership in the task of contributing to its progress and sustainable development.

7. In addition to inspiring and informing the entire Governance and Sustainability System, the Code of Ethics and the general or cross-cutting corporate policies included in this Book Two are immediate corollaries to the Purpose and Values of the Iberdrola group.

The Code of Ethics represents the materialisation for Iberdrola and its group, through the prism of the Purpose and Values of the Iberdrola group, of corporate ethics, of generally accepted ethical principles and standards, constituting the guide for conduct that must govern the actions of all its members and of all those related or connected thereto.

The corporate policies included in this Book Two, which are the General Sustainable Development Policy and the Stakeholder Engagement Policy, constitute the general framework, the set of generic guidelines, ground rules or standards within which all the other more specific or particular corporate policies, whether environmental, social, risk or corporate governance, are comprised. The first of said policies sets forth the group’s sustainable development strategy based on the ESG foundations or objectives mentioned above. It is Iberdrola’s response to how it should carry out its business activities and how to achieve its purpose in these areas of action; in short, how to achieve said sustainable business value. The second establishes the general guidelines for relations, redefined by the Purpose and Values of the Iberdrola group, with all of Iberdrola’s own specific Stakeholders.
8. With the identification, formulation and approval of the *Purpose and Values of the Iberdrola group*, the *Code of Ethics*, the *General Sustainable Development Policy* and the *Stakeholder Engagement Policy* and the inclusion thereof in the Governance and Sustainability System, Iberdrola, based on its century-old tradition, reaffirms its current identity, its role as an institutional enterprise engaged in comprehensive business action, committed to and shared with its Stakeholders, to whom it provides its leadership and drive in its areas of activity based on sustainable development, within the general framework of respect for human rights, the social market economy and corporate ethics.

In Bilbao, on 19 April 2021

The Board of Directors of Iberdrola, S.A.