



*“Contribution to
Iberdrola group’s
sustainability”*

Procurement and Supplier management activity report

2023-2024



Message from the Procurement and Services Director

Record investment plan to drive energy transition

At Iberdrola we work with the purpose of building an electric, healthy and accessible energy model, based on the well-being of people and the preservation of the planet. To achieve this, we have updated our commitments and reinforced our investment strategy with 41,000 million euros during the period 2024-2026, focusing on promoting the electrification of the economy and anticipating new sources of electricity demand, thus promoting the energy transition and employment generation.

At global level, supply chains have since 2019 been marked by a lack of stability, pandemics, wars and geopolitical conflicts, which have caused disruptions worldwide and in most industries, rise in commodity prices, inflation and greater labour costs from our suppliers. This has led to periods of significant lack of availability in certain equipment and components, along with huge increase in their demand.

Executing this level of investment in a context of increased volatility and demand pressure is a challenge for the procurement function, as we must ensure that we have reliable sources for the strategic supplies required for the development of the plan. In 2023, we are taking specific actions to secure the supply of key equipment for the investment plan to 2025 and, in some categories, up to 2030. Therefore, ensuring strategic supplies has become one of the key priorities for the Procurement and Services Division and for Iberdrola group's businesses.

This year, several plans have been implemented to establish new alliances with key suppliers. The goal is to anticipate collaboration in early stages, involving them in the technical design of projects, to therefore gain competitiveness and improve time-to-market. Thus, more added value is contributed to projects and the compliance of the critical path of suppliers is ensured.

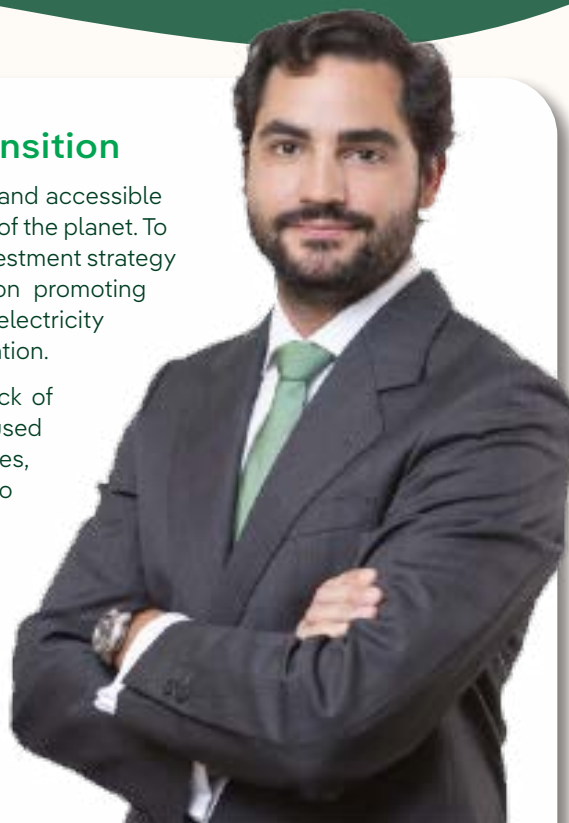
Driving ESG in our supply chain

All of this by increasing our commitment to the highest level by driving sustainability in our supply chain, as we have once again incorporated this strategic goal in the long-term remuneration of the management team, raising the level of demand to our main suppliers to 85% in the 2023-2025 period.

In addition, we are actively supporting initiatives such as *First Movers Coalition* or *Steel Zero* that involve specific commitments to decarbonisation of production processes, which implies a higher level of demand and excellence on our supply chain.

In 2024, following the recent EU elections, a new period starts until 2029, when a strategic reorganisation of policy priorities is expected, resulting, among other, in a greater effort to drive the competitiveness of the European industry. However, in the previous period certain EU directives were approved which imply a greater impact for global supply chains management that will be implemented in the upcoming period. This will require changes in the way European companies manage sustainability in their global supply chains. Landmark legislation includes the Corporate Sustainability Reporting Directive (CSRD), the Carbon Border Adjustment Mechanism (CBAM) and the Corporate Sustainability Due Diligence Directive (CSDDD), among others. It showcases a drive from companies toward greater transparency and sustainable practices.

For this reason, during this period, it is even more necessary to strengthen Iberdrola group's efforts to prepare and anticipate their entry into force and demand that from the Group's Procurement Division we continue to be proactive and adopt innovative solutions that align with the sustainability standards constantly in evolution. In this way, we will not only ensure regulatory compliance, but also remain leaders in driving the energy transition, job creation and decarbonisation.



José Ignacio Sánchez-Galan García-Tabernero

Procurement and Services Director

“Procurement as an important lever for the Group to promote the energy transition, job creation and decarbonisation.”

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01

01.

Presentation

1. Presentation

Mission

The Iberdrola group's Procurement Division is part of the Procurement and Services Division, together with the Insurance and General Services function.

The mission of the Procurement and Services Division is the execution of equipment and material procurement (except power and fuel), as well as construction and service contracts for the whole Group, meeting the strategic targets set by the Board of Directors in terms of cost efficiency, strategic alignment, internal Group regulation, sustainability, ethics and compliance with the legislation in force. In its day-to-day undertakings, the Procurement and Services Division strives to create value for its stakeholders by assuming and promoting the Group's values and commitments regarding the ethics and social responsibility issues in the Group's [Code of ethics](#) and the Governance and sustainability system.

The procurement process involves mechanisms to ensure transparent, comprehensive and responsible management throughout the supply chain. This has enabled the company to take on globalisation and internationalisation processes with the confidence that the values and commitments to ethics and responsibility are transmitted to suppliers, regardless of their global location or area of activity.

When responding to internal and external demands, the Procurement Division is proactive and developing new capabilities and interacting with suppliers from their first contact with the Group. Suppliers are one of the strategic stakeholders for the Iberdrola Group.

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Procurement in the Iberdrola group

2. Procurement in the Iberdrola Group

Values of the Procurement function

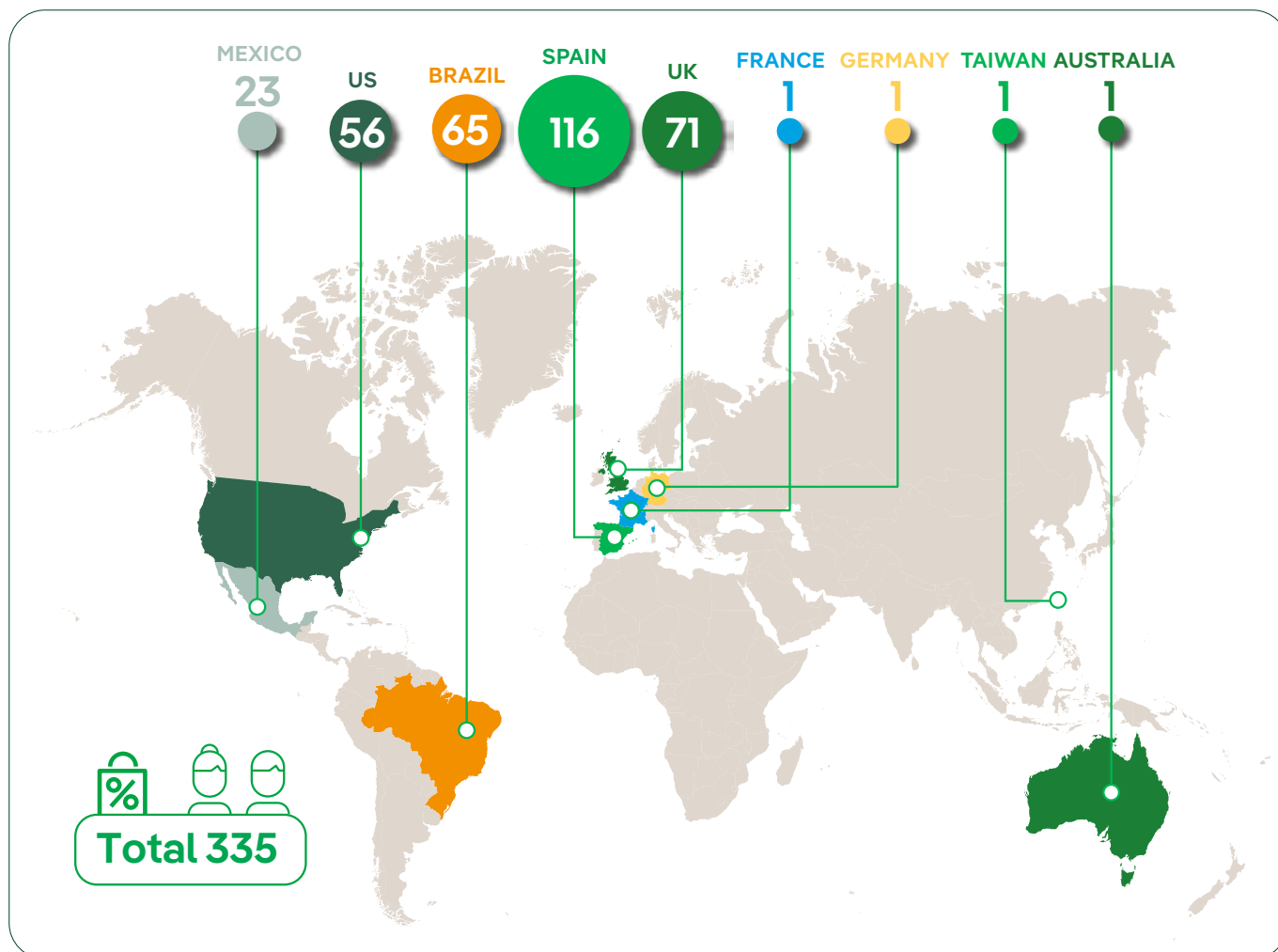
The Procurement function at Iberdrola is centralised, allowing for synergies and the application of best practices in purchasing throughout the Group and is based on these four core values:



The organisation of Procurement

The Procurement organisation comprises over 335 professionals strongly rooted in the local community and a centralised management. This enables us to benefit from the talent and proximity to operations of the business areas and corporate fabric of the countries in which we work.

Geographical distribution of Procurement staff December 2023



The Procurement team is organised based on the management of purchasing categories, in which specialisation by product/service allows procurement managers for greater knowledge of the product and the market, thus improving room for collaboration and innovation with suppliers. This is the basis for establishing strategic alliances with certain suppliers in order to secure the necessary supplies to meet the Group's investment plans. In turn, it improves purchasing efficiency, both internally and in terms of savings. Purchasing categories allow to better align them to the strategies and needs of the businesses in the long-term, contributing to both their growth and efficiency.

Purchasing Management



The Procurement Division is **coordinated** at a global level, which allows for the **identification of synergies** and the **strategic alignment** of purchasing decisions.

Priorities of the Procurement Division

The current priorities of the Procurement Division are:

- **Supply assurance:** The current environment is still marked by high volatility and uncertainty. Although energy costs have moderated and inflation and interest rates have slowed down their growth, there is still a very complex geopolitical context, in which serious crisis episodes occur with no resolution over the horizon. As well as the war between Ukraine and Russia, there are new focal points such as the Middle East and the Red Sea. This contributes to keeping up the pressure on equipment and commodities supply chains. As a result, cost levels are still very high, and there are even peaks in some commodities and significant increase of delivery times for key equipment. Therefore, it is still necessary to reinforce procurement strategies, started years ago, that ensure availability of those equipment and services that are critical. In this regard, the Procurement divisions of the businesses and countries have agreed annual targets to reach long-term alliances or agreements with strategic suppliers and to ensure the availability of critical equipment and services to cover the needs of the current investment plan.
- **Supply chain development:** In addition to the goal above of ensuring the supply chain, and to improve competitiveness and transparency, the Procurement Division has begun several projects focused on improving the visibility of our value chain. One of them is aimed at identifying potential services to search suppliers, for certain equipment and geographical areas, which complement those already existing. In the case of another project, the goal is to provide visibility to supply chains beyond our Tier-1 suppliers and identify existing risks. This is especially important for Iberdrola's newest products, such as those related to green hydrogen, batteries or for those where there is a demand and supply imbalance.
- **Sustainability:** Sustainability is in Iberdrola's DNA, and transferring it to our supply chain is one of our key activities as a leading company in the market. That is why for the period 2023-2025 it is especially

important that our suppliers incorporate in their own strategy targets of measuring and reducing their carbon footprint, incorporate in their production process the use of energy 100% of renewable sources and start decarbonising their processes. In this regard, the Iberdrola group will prioritise to purchases from key suppliers that implement these measures, to attain the goal of 85% of purchases done from sustainable suppliers. The Procurement divisions of the businesses and countries have annual targets for improving their suppliers' sustainability.

- **Health and Safety:** Iberdrola seeks to ensure the health and safety of its employees, and that of its contractors and subcontractors, to reach zero accident and make work places healthier. To do this, we have a strategic Occupational Health and Safety plan that considers, among others, preventive and accident indicators. The Procurement divisions of the businesses and countries have annual targets for reducing hazard rates in both our own staff and contractors and subcontractors.
- **Supply Chain Risk Mitigation and Resilience:** Measuring and mitigating the various risks (credit, cyber, reputational, operational..) of the supply chain is a key function that, coupled with supply security and supplier development goals, enables Procurement to deliver value to the business.
- **Efficiency:** Savings are one of the main values added by a centralised procurement organisation. By optimising procurement costs, Net Operating expense can be improved and the cost of investments reduced. The Procurement divisions of the businesses and countries have annual savings targets.
- **Competitiveness:** The growth of our businesses is subject to growing competition. Procurement is a key element in selecting the right suppliers and optimising costs. The Procurement divisions of the businesses and countries have annual targets to contribute to the growth of their respective businesses.
- **Internal Customer Satisfaction:** Procurement negotiates and optimises contracting for the different businesses and corporate areas. Internal customer satisfaction is measured every year. Given that one of their recurring concerns is the duration of the purchasing process, the Procurement divisions of the businesses and countries have annual targets for improving both deadlines and the internal customer satisfaction index.
- **Digital Transformation:** Procurement is responsible for taking advantage of the digital tools available to optimise its processes and contribute to the other objectives. In this regard, objectives are set for procurement systems (iBuy, etc.) process automation and robotisation, and optimisation of data use through business intelligence tools.
- **Governance and compliance:** The Procurement process must be robust and ensure compliance with the guidelines established in Iberdrola's corporate policies. Procurement support systems make it possible to increase guarantees that the process complies with the established procedures and to identify deviations to take corrective actions.

Each year, how high the bar is for the heads of the various procurement organisations related to these priorities is decided. These targets are linked to the Procurement team's variable remuneration.

Key figures: volumes, countries, supplies, suppliers and contributing to society

The chart below shows the amounts billed by our suppliers to Iberdrola group for the purchasing of equipment, materials and the contracting of works and services, broken down by geographic area:

GENERAL SUPPLY OF EQUIPMENT, MATERIALS, WORKS AND SERVICES (MILLION EUROS)	2023 ¹	2022	2021
Spain	2,602	2,711	2,405
United Kingdom	2,077	1,334	1,225
United States	3,646	3,360	3,031
Brazil	2,160	2,143	1,400
Mexico	362	439	395
Iberdrola Energía Internacional (IEI)	1,737	1,546	967
Total	12,584	11,533	9,424

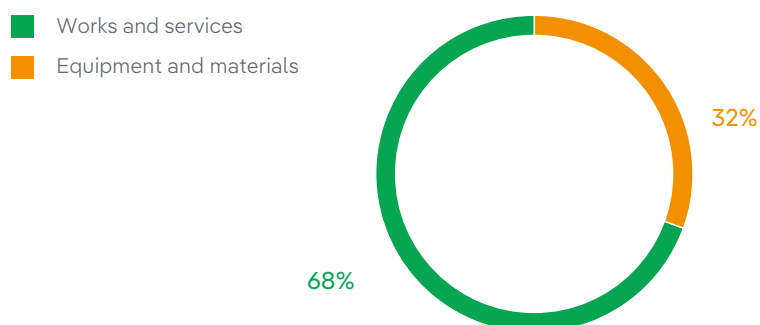
In 2023, the annual volume of purchases increased by 9% compared to the previous year, reaching a record figure of 12,584 million euros. This evidences a great investor effort from the Group and is mainly a result of the increase in the volumes invoiced by suppliers related to offshore wind projects in France, Germany, the United Kingdom and the United States, photovoltaic in Spain and in the United States, onshore wind in Brazil, Spain, the United States and Australia, as well as investments in electricity distribution networks in Spain, the United States, the United Kingdom and Brazil.

In 2023, the Group's main suppliers were, in alphabetical order:

- Eiffage
- Elecnor
- General Electric
- Grupo Daniel Alonso
- Hitachi Abb
- Siemens Gamesa
- Tabocas Participações Empreendimentos S.A.
- Trina
- Van Oord
- Vestas

¹. Volume invoiced in the year. Amount awarded in 2023: €18,111.0 million

Distribution of purchases by supply type in 2023:



During the year there have 2023 been no significant changes in the company's supply chain.

Contributing to society: local purchases, creation of jobs and tax contribution

Iberdrola follows a strategy of developing local suppliers for its strategic procurements, which has allowed for the maintenance of a strong industrial fabric in the geographies in which it operates.

At the end of 2023, purchases from local suppliers² amounted to 88.5%, broken down as follows:

ACQUISITION OR CONTRACTING MATERIALS, EQUIPMENT, WORKS AND SERVICES FROM LOCAL SUPPLEIRS (%)	2023	2022	2021
Spain	91.1	83.8	83.8
United Kingdom	73.9	81.3	89.3
United States	93.5	93.7	96.4
Brazil	99.5	99.6	99.3
Mexico	73.8	59.9	71.2
IEI	80.7	73.9	60.2
Total	88.5	87.1	87.9

These high volumes of purchases drive growth in the countries where the Group enters into contracts, encouraging business, industrial and social development, by creating jobs for the service providers, their auxiliary industry and their services. Including direct employment and indirect and induced impact, Iberdrola generates a total annual employment impact³ of about 500,000 jobs worldwide, contributing more than 47,500 million euros annually to global GDP and making a total tax contribution, including the indirect and induced of more than 17,600 million euros.

Procurement process transparency

The Procurement Division guarantees equal opportunities, applying criteria of objectivity and impartiality in its relationships with suppliers, and promoting advertising and competition in the selection processes under a general framework of management efficiency.

In order to achieve greater transparency in the process, the call for and receipt of bids and negotiation with suppliers is allocated exclusively to the Procurement Division or, if appropriate, the Procurement Business Manager.

² Based on a supplier's corporate tax ID, it is considered local if it is registered in the country where the Iberdrola group subsidiary company operates.

³ PwC study "Iberdrola's economic, social and environmental impact across the world" (based on 2022 data).

There are annual indicators of transparency in the procurement process, which include aspects such as the completion of the final round of negotiation through competitive and transparent closing mechanisms (“closed envelope” and/or electronic auctions). Indicators are also established to monitor the degree of competition, such as the percentage of purchases made from a single supplier and the average number of suppliers participating in the different phases of the Group's tenders.

In 2023, transparency and competition indicators increased, increasing the annual amount awarded in transparent procurement processes from 75% to 88% compared to the annual total and increasing the average number of bids received per tender from 2.52 to 2.60.

And as a guarantee of transparency, the procurement process is audited annually, both internally and by external entities, and no non-conformities have been detected in the year. It is worth noting the successful outcome of the monitoring audits to maintain the management systems certifications based on the ISO 9001, ISO 14001 and ISO 20400 standards. Recommendations and areas for improvement arising during these reviews are analysed and implemented to constantly improve the related procedures.

Systems supporting the Procurement activity

Iberdrola's Procurement Division relies on two main platforms to carry out its activities:

- **IBuy**, a collaborative global tool, through SAP Ariba Network, that supports the management of procurement processes, including requests for proposals, negotiations with suppliers, internal approvals of all these processes, all in a digital native environment and with robotisation of certain processes. IBuy integrates real-time analysis and risk assessment of each supplier.
- **GoSupply**, the platform to manage suppliers. GoSupply allows the classification of current and potential suppliers, as well as the assessment and monitoring of risks and their sustainability which is integrated with the IBuy application.



IBuy: procurement platform based on cloud SAP-ARIBA technology.

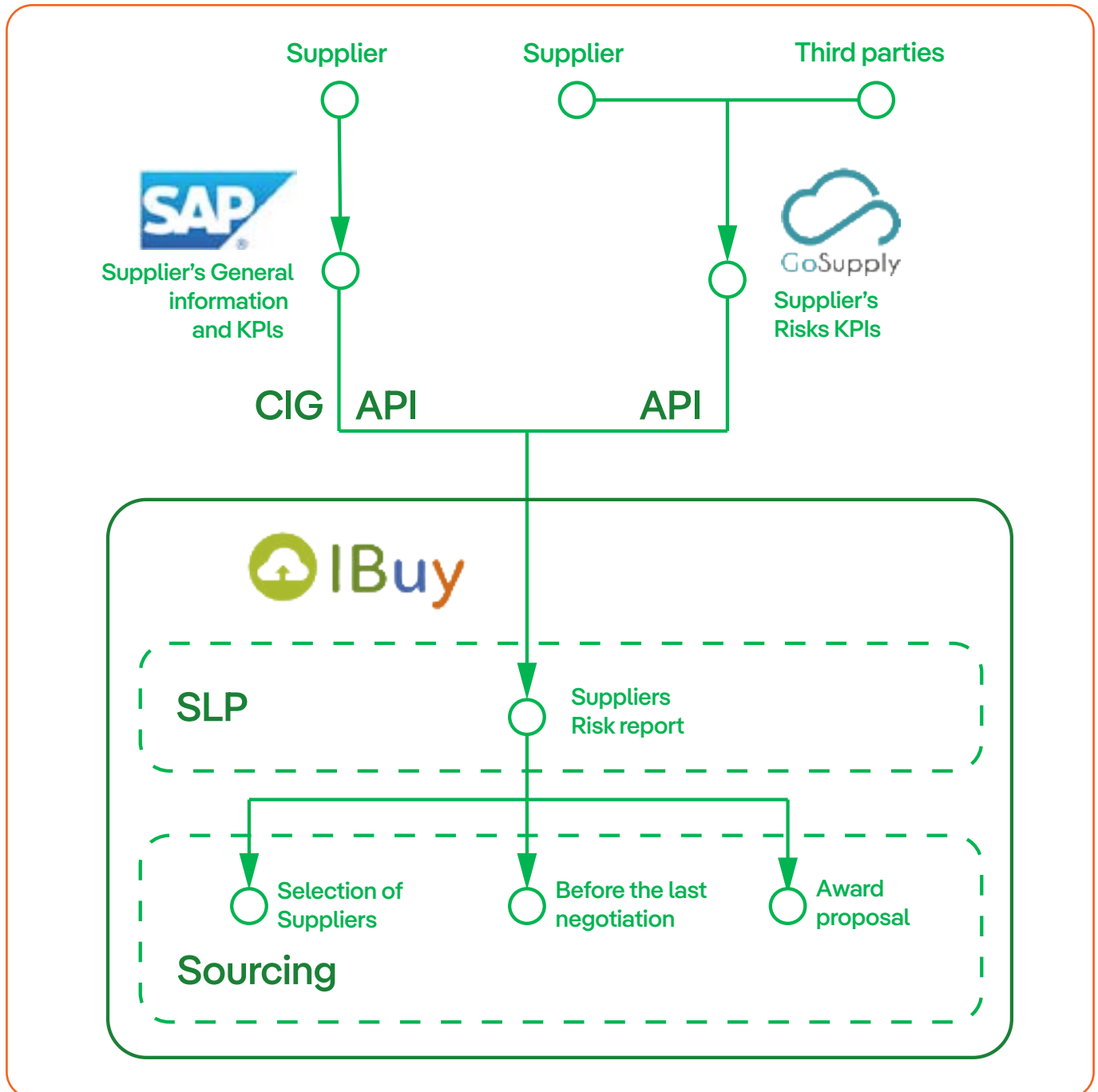


GoSupply: System for Registering and Managing Suppliers

Integration of Procurement systems

To achieve efficient management of the procurement process in which the analysis and mitigation of suppliers' risks is a priority in decision-making, it is necessary to have updated information available throughout the procurement process. The Procurement systems of the Iberdrola group have a very high level of integration, with daily updates of the indicators of the different risks that allow anticipating in early stages of the process the mitigation measures necessary with each supplier to be make award decisions that guarantee compliance with the Purchasing Policy and the Suppliers' Code of ethics.

The following diagram shows in a simplified manner the integration of purchasing systems with corporate ERP (SAP):





03

03.

Policies and procedures

3. Policies and procedures

Purchasing Policy

The [Purchasing Policy](#), initially approved by the Board of Directors on 18 June 2013 and last updated on 20 February 2024, sets out the global framework for monitoring and managing risks (market, credit, business, regulatory, operational and reputational, cybersecurity and criminal) resulting from the purchase of materials and equipment, and the commissioning of construction work and services throughout the Iberdrola group. It has a special emphasis on compliance with ethical commitments by Group employees and the suppliers of the companies that are part of the group.

Basic principles included in the Purchasing policy:

The [Purchasing policy](#) is based on the following basic principles:

I Ethics

Rigorously apply the [Code of ethics](#) to promote a strong risk culture and develop an ethical and honest business culture throughout the organisation to support the professional and ethically responsible behaviour of all employees.

I Standards and control

Establish in a coordinated manner the criteria and controls related to purchasing and contracting equipment, materials, works and services to the benefit of the companies integrated in the Group, guaranteeing full respect for the corporate organisation derived from the Group's Governance and sustainability system.

I Added value

Implement the necessary mechanisms so that procurement decisions benefit the Company and the Group's companies, guaranteeing a balance between technical suitability, quality and price, as well as the quality of the supplier, as a basic condition for adding value.

I Relations with suppliers

Establish supplier selection processes that meet objectivity, impartiality and equal opportunities criteria, ensuring at all times that employees are professional and loyal to the Group and its shareholders, regardless of their own and third-party interests.

Promote strict compliance by suppliers with the contractual conditions and applicable regulations, paying special attention to respect for the environment and the principles set out in the Policy on Respect for Human Rights; appreciating the compliance with the provisions on reconciliation and gender equality in the Diversity and Inclusion Policy and the prevention of harassment, as well as the principles of action established in the Code of ethics applicable particularly to suppliers of the Group companies.

Promote a supplier relationship policy based on the principles of business ethics and transparency, pursuing continuous improvement and mutual benefit, while promoting innovation and development.

I Equipment

Promote professionals motivation and active participation, as well as the training and professional development necessary to perform their duties and their development.

I Growth and sustainable development

Promote sustained, inclusive and sustainable economic growth, productive employment and decent work for all the professionals who make up the Group's value chain, in line with the eighth [Sustainable Development Goal \(SDG\)](#) approved by the United Nations.

The [Purchasing policy](#) establishes guidelines and limits on the levels of delegation of authority and procurement procedures for the Group under the principles set out above, as well as on the organisational principles that should prevail to ensure full respect for the corporate organisation derived from the Governance and sustainability system.

Supplier risk included in the Purchasing policy:

The [Purchasing policy](#) defines the following supplier risks:

- **Credit Risk** "In major purchases or tenders, a credit risk assessment of the Supplier will be required, seeking sufficient contractual guarantees to ensure all obligations are met."
- **Fraud Risk** "Depending on the nature and amount of the tender, a fraud risk assessment of the Supplier should be carried out to determine the level of approval needed to be able to enter into the relationship."
- **Cybersecurity Risk** "Processes will be included to identify and establish cybersecurity requirements to mitigate the risks associated with access to the Group's information and communications and information services and systems by our suppliers and their subcontractors."
- **Sustainability Risks** "[...] the supply chain will be promoted and driven to achieve high standards of sustainability globally and there should be a continuous measurement model in all three areas of the model set by the Company: environmental, social and governance. The sustainability level of awarded Suppliers will be analysed and assessed. A culture of sustainability will be fostered among the Suppliers, establishing improvement plans when optimal levels are not reached".
- **Risks associated with human resources** "[...] the Supplier will be required to indicate in its bid the work it proposes to subcontract, as well as the names of any potential subcontractors. This will be analysed in the context of the assessed proposal".
- **Tax Risk** "No contract will be entered into with any supplier that is not up to date with its fiscal or tax obligations, or any other obligation for which the Group might incur subsidiary liability."

The Procurement Division has been updating its Policy, Procedure, Management and Supplier Classification Systems to ensure that purchasing decisions are made taking into account the best risk assessment of its suppliers.

General contracting terms and conditions

The [Iberdrola group general terms and conditions for contracting](#) are general documents that regulate the relationships between the Iberdrola Group companies and its suppliers; they are usually a basic part of the contractual documentation.

These conditions contain binding contractual clauses for performance by the parties within the most stringent levels of health and safety, occupational risk prevention and environmental respect and incorporate specific clauses on supplier corporate social responsibility based on the UN's Universal Declaration of Human Rights, the Agreements of the International Labour Organisation and the principles of the Global Compact (respect for

and protection of human rights, eliminating all forms of forced and mandatory labour, preventing all forms of child labour, eliminating all discrimination practices, working against corruption, etc.).

When the supplier has to subcontract to carry out the services or deliver the supplies commissioned by Iberdrola, it must establish the principles indicated in the contracting conditions applicable to the subcontractor or reseller.

At all times during the term of the contract, the supplier must allow Iberdrola to review the degree of compliance with the principles established in these clauses.

The full text of the purchase conditions can be found at:

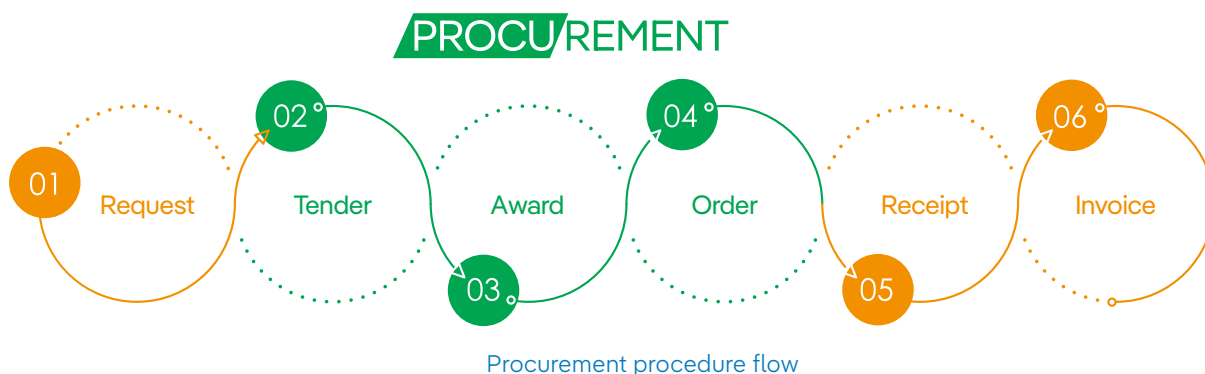
<https://www.iberdrola.com/suppliers/tenders/contracting-terms>

Purchasing procedure

The purchasing procedure develops the [Purchasing Policy](#).

Management of purchasing equipment, materials, works and/or services includes the part of the supply chain involved, from purchase planning until the contractual relationship with the supplier has been formalised.

The Procurement Organisation is the area within Iberdrola that manages this task on behalf of the units or companies heading up the business and their subsidiaries through the following stages:



In 2020, the Procurement Division renewed its ISO certificate for the quality management system according to the UNE-EN-ISO 9001:2015 standard, which currently covers the companies belonging to the Iberdrola Group in Spain, the United Kingdom, Mexico and the United States. This was a very important milestone and a recognition of our efforts to integrate the processes and their quality standards and confirmed the consolidation of the corporate procurement model.

Within the 2024 audit plan of the Procurement Division, for the external monitoring audit corresponding to the UNE- ISO ISO-9001:2015 standard, the audits to the centres in Spain (from Bilbao, Torre Iberdrola) and the United Kingdom (Glasgow headquarters) have been carried out and successfully passed.

04.

**Ethics and
compliance
in the
procurement
process**

4. Ethics and Compliance in the purchasing process

Suppliers' Code of ethics

The [Code of ethics](#) of the Iberdrola group is a key element in the integrity of Iberdrola's business. The vision and values compiled in the [Code of ethics](#) are translated into the guiding principles binding Group professionals with third parties when interacting with them.

The Code of ethics represents the Company's commitment to the highest business ethical principles and transparency in every field of action, establishing a set of conduct principles and guidelines meant to guarantee ethical and responsible conduct in the directors, professionals and suppliers of the Iberdrola group.

The Company aims to ensure that its conduct and that of the persons associated with it, complies not only with the legislation in force and its Governance and sustainability system, but also with generally accepted ethical and development principles.

On the other hand, the [Suppliers' Code of ethics](#), is an excerpt of the Code of ethics consisting of sections A, E, F and G therein. It compiles the ethical principles that must govern the actions carried out by the Group companies' suppliers and must be expressly accepted by them before the start of any contract relationship with said companies and will be attached to the orders and contracts.

The [Code of ethics](#) and the [Supplier's Code of ethics](#), which are part of the [Governance and sustainability system](#) were approved by the Board of Directors in 2002 and last amended on 24 June 2024.

This revision reinforces the principles and requirements the Iberdrola group suppliers must meet insofar they must oversee that their own suppliers and subcontractors are subject to guiding principles similar to those in the Suppliers' Code of ethics. In turn, they are expected to extend those similar demands to their respective supply chains. With this update, we strengthen due diligence of the supply chain in terms of sustainability, human rights and the environment.

Among the guiding principles affecting suppliers included in the Code of ethics, the following stand out:

- **Commitment to human rights and sustainability due diligence**
 - Suppliers must observe human rights and environmental bans set out in major international human rights agreements and environmental conventions.

- Suppliers will reject and shall take appropriate measures within their organization to eliminate all forms or forms of forced or compulsory labour and all forms of modern slavery, in accordance with international implementing conventions and require similar behaviour in their supply chain.
- Suppliers will expressly reject any kind of child labour in its organisation, and respect the minimum working age as governed by current applicable legislation and have suitable, reliable mechanisms to verify the age of its employees.
- Suppliers must reject any discriminatory practice for any condition or characteristic in terms of employment and occupation, treating their professionals fairly, with dignity and respect, and any conduct that may qualify as harassment. To this end, they will promote a culture of prevention of any manifestation of violence at work and harassment in all its forms, promoting a respectful and healthy working environment and applying the principle of zero tolerance to any behaviour that may be classified as harassment or discrimination.
- In accordance with existing legal requirements, suppliers will collaborate, when requested by the Company, in identifying the impacts on human rights and the environment associated with their operations, products or services they develop for the Company.

• **Supplier's labour practices**

- The working conditions of the suppliers' professionals must respect the legislation, collective bargaining agreement and the main international standards, as well as the international conventions applicable in each case, ensuring in particular adequate conditions in terms of wages, ordinary working hours and overtime and social benefits.
- The freedom of trade union association and the right to collective bargaining of suppliers' professionals must be respected by suppliers, subject to the rules and main international conventions applicable in each case.
- Employment relations between suppliers and their professionals should be based on equal opportunities, especially between genders, non-discrimination by status or any characteristic whatsoever, and consideration of diversity and inclusion in all its variables.
- Suppliers will assess the introduction of reconciliation measures that promote respect for the personal life of their professionals and facilitate the best balance between the personal life of their professionals and their work responsibilities, in accordance with the applicable laws and local practices; and they will not in any case remove the measures that they have established at the time of becoming a supplier to the companies of the Iberdrola group.

• **Suppliers' commitments in terms of health and safety**

- Suppliers must adopt the necessary measures to ensure the safety and health of their professionals or third parties performing services on their premises in all matters relating to the performance of their duties, reducing the hazards present in the workplace and minimising the associated risks through the adoption of effective preventive and protective measures, in accordance with applicable international conventions and current legislation.
- Suppliers must provide their staff with appropriate preventive training and must be responsible for the implementation of the remaining preventive and protective measures. In turn, they must be liable for any damage or harm whose responsibility is attributable to them by act or omission, especially as a result of not having taken the appropriate preventive measures in the field of safety and health.

• **Suppliers' commitment to the environment**

- Suppliers must strictly comply with all environmental obligations and have an effective environmental policy and due diligence systems, depending on the products and services supplied, in order to, among other things:

- (a) Reduce their greenhouse gas emissions through efficient use of energy and resources and minimise energy consumption in order to reduce their carbon footprint.
- (b) Minimise the use of natural resources, fuels, chemicals and fossil fuels in order to reduce their corporate environmental footprint and prevent pollution.
- (c) Identify and manage substances, waste and other materials that pose a danger when released into the environment, in order to ensure their safe handling, movement, storage, recycling or reuse and disposal, ensuring circularity, complying with applicable regulations and guaranteeing proper waste management. In order to prevent and minimise pollution, wastes, wastewater or emissions that have the potential to adversely affect the environment, they should be managed, controlled and treated appropriately.
- (d) Prevent deforestation by ensuring that products or services causing it are not supplied directly or through their supply chain with the aim of achieving a net positive impact.
- (e) Prevent biodiversity loss and ensure land conservation to prevent nutrient loss, erosion and contamination, and ensure water resources and the protection or promotion of natural habitats in those environments where they operate or have the capacity to influence.

- **Suppliers' commitments in terms of compliance**

- Suppliers will develop their business relationships based on principles of business ethics, efficient management, transparency and honesty.
- Suppliers must comply with the Group companies' policies regarding compliance, whether of general or special scope, which include responding to corruption and fraud, forced labour or any form of modern slavery; as well as with the highest standards of ethical and moral conduct, international conventions and applicable laws on this matter, ensuring that they establish the appropriate procedures that are required for this purpose.
- Suppliers are committed to promoting free and fair competition in the markets in which they participate and to complying with competition regulations, working actively with the authorities entrusted with supervision of the aforementioned markets.

- **Conflict of interest of suppliers**

- Suppliers must maintain mechanisms to ensure that, in the event of a potential conflict between the interest of the supplier and the personal interest of any of its professionals, the independence of the supplier's performance and its full compliance with applicable law remain unaffected.

- **Subcontracting**

- The suppliers of Iberdrola Group companies must be responsible for ensuring that their own suppliers and subcontractors are subject to principles of action equivalent to those of the Suppliers' Code of ethics of the Iberdrola Group.

Suppliers' commitment to the Suppliers' Code of ethics

All suppliers of the Iberdrola group that are invited to participate in a purchasing tender must accept that their participation therein and, if awarded, their performance during the term of the contract will be subject to compliance with the [Suppliers' Code of ethics](#).

Prior to this, in the case of new suppliers, during the registration process in the systems, they are expressly asked to confirm that they have read, understood and, in turn, undertake to comply with the Iberdrola Group [Suppliers' Code of ethics](#).

And finally, the [Supplier's Code of ethics](#) is attached to all orders and contracts issued by the Iberdrola group, being incorporated as a contractual document, thus reinforcing the supplier's obligation to comply with it.

Mitigation of the risk of fraud and corruption in suppliers

At the end of 2012, the Board of Directors set up the Compliance unit, whose duties include the dissemination of the Code of ethics and the development of a preventive culture based on the principle of "zero tolerance" for illegal actions, crime and fraud in the Code of ethics.

It is vitally important for the Group to establish the programmes and mechanisms to fight corruption and prevent it in all its manifestations and to foster a culture of integrity among its professionals and the third parties with whom it is related.

Iberdrola requires its professionals as well as any third party working with it or on its behalf in its operations to observe the highest standards of integrity in their business activities and not get involved in any situation implying corruption or bribery, or participate in any type of fraudulent conduct or behaviour.

The following measures are implemented in Iberdrola's procurement procedure and process as mechanisms to prevent bribery and corruption:

- The Iberdrola group's [Suppliers' Code of ethics](#), which forms part of all contracts and orders.
- A policy for preventing corruption and fraud which creates a preventive culture based on the principle of zero tolerance for illegal acts and fraud.
- "Initial screening" of all newly registered suppliers and all existing suppliers in Ibuy with third party databases for sanctions, adverse media and other risk factors.
- "Ongoing screening" of all newly registered suppliers and all existing suppliers in Ibuy with third party databases for sanctions, adverse media and other risk factors.
- In general and depending on the number of existing suppliers and the nature of the purchase, the tendering process will ensure that a minimum of three valid bids are obtained for each procurement.
- Proposals for awarding orders are released jointly and are endorsed by two duly authorised persons.
- There is separation between procurement activities (Procurement Division), subsequent provisioning activities (Business Units) and payment of invoices to suppliers (Administration and Control Division).
- Payment-invoice-order-tender traceability is maintained entirely in corporate systems, with the necessary documentary support.
- The process is periodically audited and no non-conformities or deviations have been discovered to date.
- Specific section to which the provider must respond during the classification process:
 - Does your organisation have a specific Ethics Code or Code of ethics?
 - Does the organisation have a general responsible purchasing policy?
 - Does the organisation have a Corporate Social Responsibility policy?

- Has the organisation signed the United Nations Global Pact? This Pact includes an anti-corruption principle.

Moreover, the general terms and conditions for contract include specific sections on the fight against corruption. By accepting it, suppliers declare, ensure and undertake to:

- Comply** with the relevant ant-corruption laws, both now and in the future. The Supplier agrees that they will not offer, promote, pay, authorise or carry out any type of payment, either now or in the future, or directly or indirectly, that may (1) influence any official decision relating in any way to the Contract or any associated activity, with any Affected Party or with the State or any type of governmental body; (2) give themselves an unfair advantage in relation to the Contract or any associated activity; or (3) obtain or retain business or divert it to any entity or individual, in relation to the Contract or any associated activity.

For this purpose, the “Affected Party” shall be understood to mean any official, director, employee or representative of: (i) any governing body, department or federal, state, autonomous, provincial or municipal agency of any state; (ii) any international organisation or its departments or agencies; or (iii) any company or other entity belonging to or controlled by the State, including public companies or others in the energy sector; as well as any political party or candidate for political office.

- Maintain** complete and truthful accounting records and other documentation relating to the Contract or any associated activity, including those relating to payments made to third parties, in accordance with generally accepted accounting principles. The Supplier agrees that it will allow Iberdrola, following a request made by the company reasonably in advance, to inspect their accounting records and other documentation at any time. A request will be considered reasonable when it is made within fourteen (14) calendar days prior to the inspection date.
- It has not made and will not make political contributions, donations** or any other type of payment relating to the Contract or with any associated activity, nor will it offer or promise the aforementioned at the request of an Affected Party without prior written consent from Iberdrola.
- If Iberdrola, reasonably and in good faith, believes that the Supplier has breached any of the terms of this clause, they must **cooperate in good faith with Iberdrola** to confirm whether such a breach was in fact committed.

The supplier will inform Iberdrola of any situation in which a breach of the aforementioned principles has been verified, as well as plans to remedy the situation. If these corrective plans are not adopted, Iberdrola reserves the right to cancel the contract.

Assessment of the risk of fraud and corruption in suppliers

In 2010, right when the *Bribery Act* came into force in the United Kingdom, a series of measures were established in the tender process at global level so that the risk of corruption associated with the contract is assessed when a new relationship is established or an existing contract with a supplier is renewed.

On the other hand, for all procurement processes that exceed a certain amount, the procurement procedure establishes the obligation to verify the level of risk of the supplier in this matter.

To optimise this control during the procurement process, with the implementation of IBuy in 2019, the updating of the fraud and corruption risk indicator available to the Compliance Unit in its management system was automated, integrating it daily into the Procurement platform. This allows the procurement manager to check at any time the value of this indicator for the suppliers participating in the tenders it manages. In the event that the supplier has established a monitoring or “*compliance flag*”, any contracting must be checked with Compliance, which must approve it once the mitigation measures to be implemented have been determined.

Internal management of information (complaints channels)

Ethics and transparency are one of the essential pillars of the Iberdrola group and we promote these values in our relationships with all our stakeholders and with society.

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 complaints, through our [contact channels](#) you can direct inquiries about the most relevant issues among our stakeholders, such as, for example, queries on aspects related to the interpretation and compliance with the Code of ethics and other internal regulations on compliance.



Through this channel, any behaviour that may involve non-compliance with the Governance and sustainability system by any employee in the Iberdrola Group or any illegal act or perpetration by a supplier, by any of its subcontractors or by their respective employees, of any act in violation of the law or the Code of ethics within the framework of its business relationship with the companies in the Iberdrola Group may be reported.

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

Among the key principles for managing these channels, the following stand out:



Prohibition of retaliation:

Iberdrola undertakes not to take any form of retaliation against any person who has made a report in good faith.



Anonymity:

Communications can be made anonymously.



Confidentiality:

The confidentiality of the identity of the informant and of any third party mentioned in the communication, as well as the protection of personal data, is an essential principle in the management of the communications received.



Management of the System:

The Compliance Unit of the relevant company is the body responsible for the management of the Internal Information System in accordance with the procedure established by its respective governing body.



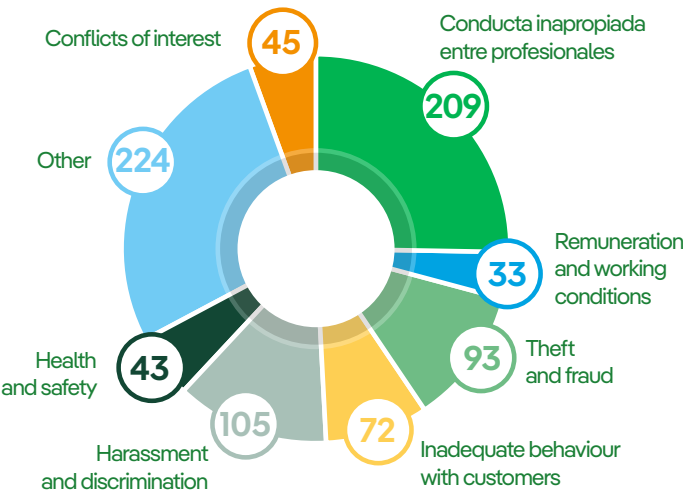
Rights of persons affected:

The rights to privacy, honour, defence and the presumption of innocence of the persons under investigation or affected are guaranteed.

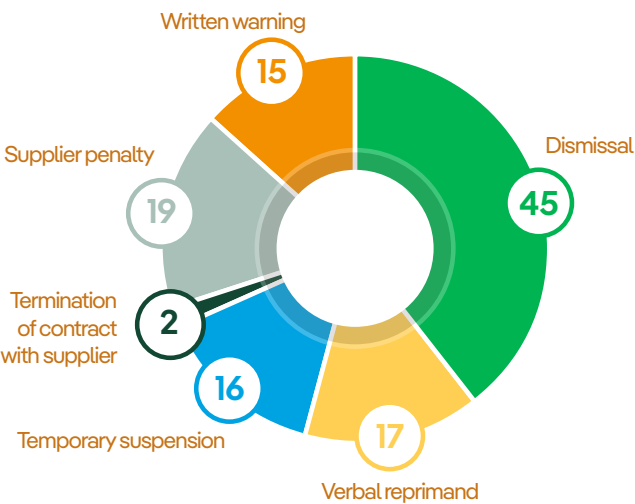
in 2023, according to the [Report on the transparency of the compliance system of the Iberdrola group companies](#), communications received by the Group through internal communication and complaints channels totalled 3,096, of which 1,723 were queries and 1,373 were complaints. Of the 1,373 complaints received, 824 have been admitted for process.

Moreover, in 2023, of the total number of complaints admitted to processing in the year, together with those pending from previous years, 114⁴ of them evidenced the existence of irregular conduct or conduct contrary to internal regulations or the Code of ethics. Consequently, disciplinary measures have been taken.

ADMITTED FOR PROCESSING



DISCIPLINARY MEASURE



In 2023, out of the total complaints received, 87 were related to Group suppliers. Following their analysis, it was concluded that 21 were to result in disciplinary measures, 19 in penalties to the suppliers involved and 2 in the termination of the contract with the supplier.

4 Of the 114 disciplinary measures, 41 correspond to reports received in previous years

Promoting an ethical culture within the supply chain

Campaign to promote the *Suppliers' Code of ethics*

In order to improve the knowledge of our Suppliers' Code of ethics among our suppliers and their professionals, in 2021, together with the Compliance unit, the [Suppliers' Code of ethics Brochure](#) was created.

Since then, several global outreach campaigns have been carried out to facilitate the dissemination of the ethical principles of the Iberdrola Group, both among suppliers' employees, and to help ensure that these principles are transferred to the rest of our supply chain.

In 2024, following the amendments made to the Code of ethics, the brochure was also updated to incorporate those aspects that reinforce due diligence in the supply chain.

Supplier's code of ethics
brochure



Discover it 

Code of ethics

Supplier



Ignacio S. Galán
Executive Chairman
of Iberdrola

The Code of ethics sets out Iberdrola's commitment to ethical business principles and transparency in every area of its activity, establishing a set of principles and guidelines for behaviour intended to guarantee ethical and responsible conduct by all Iberdrola Group directors and employees.

Iberdrola, which is firmly committed to extending this commitment to all third parties with which it has dealings and, in particular, to suppliers, has developed **specific guidelines for action in accordance with the Group's principles and values, which are set out in the Supplier code of ethics, and which must be complied with by the Group's suppliers.**

This requirement is one of the measures the Group has adopted to encourage sustainability among its suppliers to enable it to achieve the Sustainable Development Goals adopted by the United Nations.

How should ours suppliers behave?



Sustainability and environmental protection

All our actions are aligned with the **Sustainable Development Goals** and we encourage our suppliers to align their actions with the Sustainable Development Goals as well. Therefore, we assess them according to **ESG (environmental, social and governance)** criteria and require measurable and specific sustainability standards from our strategic suppliers.



Employment practices

Iberdrola's suppliers must take the necessary measure **to prevent forced or compulsory labour** and prevent the use of child labour. These measures must apply throughout the **supply chain**.

Our suppliers must pay their employees a **fair wage** in accordance with the law in force.



Diversity and non-discrimination

Suppliers must expressly **reject any discriminatory practices** regarding employment or occupation on the basis of any status or circumstance.

They must treat their employees fairly, with **dignity and respect**, and promote equal opportunities, especially between genders, non-discrimination and consideration of diversity and inclusion in all its variables.

Suppliers' compliance system improvement campaign

The Procurement Division, together with the Compliance Unit, in line with the Group's strategic goals on sustainability, launched in 2022 an initiative to encourage the development of compliance systems in the suppliers with which it interacts.

Previously, in 2021 a specific indicator, "Compliance Score", was established to assess the degree of maturity of suppliers in this area based on the measurement of certain factors included in the Group's supplier sustainability assessment model. Each of the suppliers assessed obtains a value for this indicator, allowing the Group to know the opportunities for improvement of each one, as well as the possibility of carrying out a better segmentation of suppliers, proposing traction campaigns and monitoring their progress.

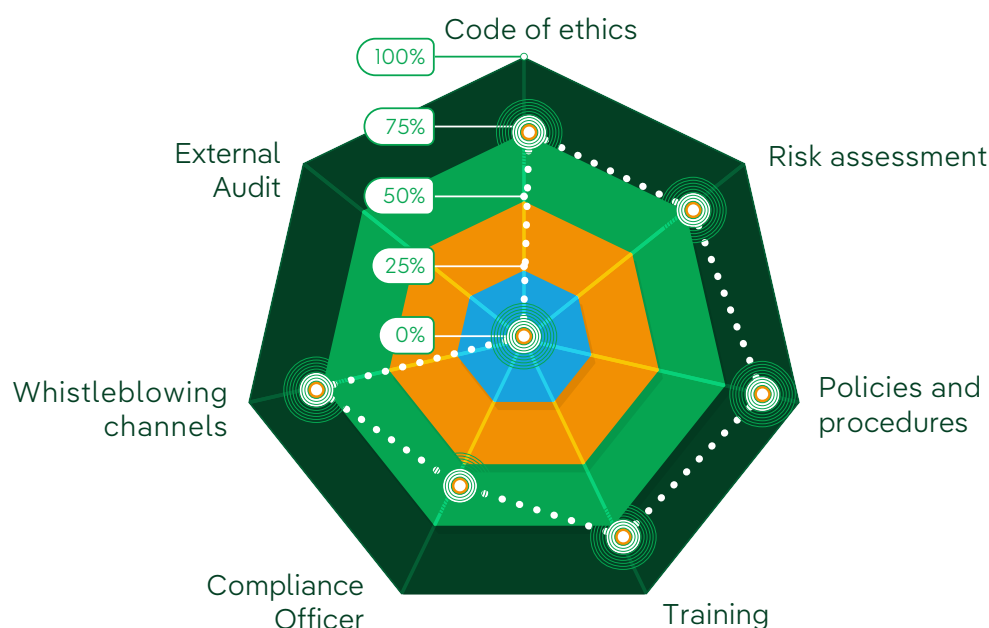
The initiative called "Enhancing supplier's Compliance system" was launched in 2022 and focused on selecting and engaging more than 100 of the Group's main suppliers at a global level, with a high level of relationship, but which had a very elementary or poorly developed compliance system. Regular contact with these suppliers was initiated 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 vast majority of suppliers contacted included in 2022, among their short and medium term objectives, specific actions to improve their Compliance systems.

In 2023, some of these suppliers have completed the implementation phase of these measures and through regular meetings and monitoring the evolution of the supplier's score of their "Compliance Score" it has been possible to measure the impact of these actions.

In the medium term, in addition to achieving greater awareness of compliance among our suppliers, we understand that we achieve a reduction of the potential risk that these suppliers will be affected by a potential event of fraud, corruption, competition or adverse media that could have a negative impact on the Iberdrola group.

GROUP SUPPLIERS' COMPLIANCE SYSTEM Elements of a Compliance system implemented



It should be noted that at the end of 2023, according to the [Transparency report on the Compliance system of Iberdrola Group companies](#), more than 1,960⁵ key Group suppliers already have a robust Compliance system, with a "compliance score" of more than 70 points out of 100. This represents an increase of 20% compared to the previous year, which shows the result of the effort made by our suppliers to improve their management systems and strengthen their Compliance systems.

A walk through our Compliance system

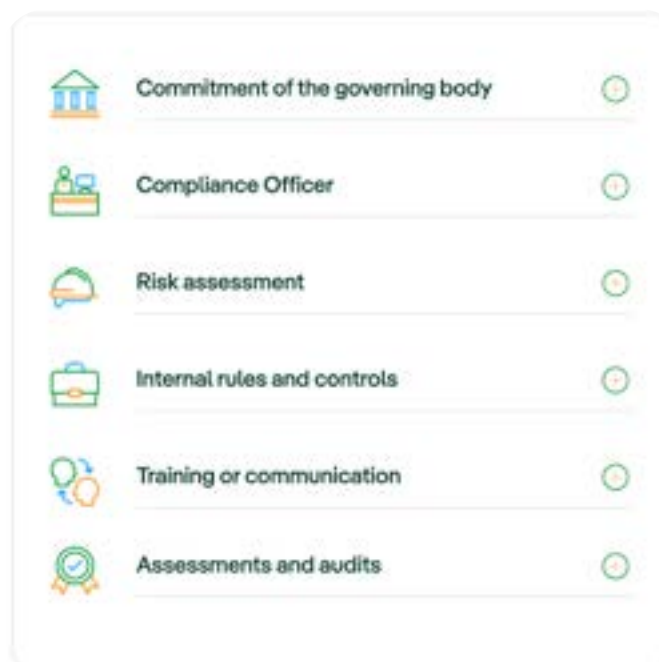
In 2022 we made available to our suppliers an **interactive module** on our website with the aim of improving the knowledge of our suppliers of what are the elements that should make up an effective compliance system. In 2024 it has been updated to improve its access.

⁵ Information regarding the 4,125 suppliers with greater billing with Group companies.

A Compliance system is a set of organizational measures, procedures and actions aimed at preventing irregular conduct, contrary to ethics or the law, that may be committed by the professionals of an organisation or by those of third parties with whom it relates. The ultimate goal of this system is to promote an ethical culture of integrity within organisations.

Our Compliance system represents the commitment of the Iberdrola Group to all our stakeholders to conduct all our activities in accordance with current regulations and regulations, as well as the highest standards and ethical values.

Its ultimate goal is to ensure the application of the Code of ethics and to establish criteria and guidelines for the development of professional conduct with integrity.



Campaign to promote the complaints channel

Recently, many countries are making a major effort to have companies put in place more robust internal information systems, including reporting channels that allow the whistle-blower to safeguard anonymity and that complaints are handled confidentially.

In this sense, in Spain, the existence of a reporting channel has become, under Law 2/2023 on the protection of whistle-blowers, an obligation for companies with more than 50 employees.

In March 2024, a first information campaign was launched to more than a thousand Spanish suppliers with the aim of reminding our direct collaborators and their professionals of:

- The existence of the Iberdrola Complaints Channel, to be able to inform, report or request information about presumably unethical conduct by our company or any of its professionals.
- Their legal obligation thereon on their part and in case they do not have their own Channel of Complaints or do not meet the requirements established by law, implement or update it as soon as possible to ensure that they guarantee adequate protection for those who, in case they occur, want to report illicit actions within organisations.
- The importance of registering on GoSupply that your company has a complaints channel authorised as required by law and that is accessible to own staff as well as to its suppliers and its workers.

As a continuation of this first action and with the aim of transferring this initiative to the rest of our supply chain, a second campaign was launched in June in 2024 aimed at suppliers of Iberdrola Energía Internacional, contacting its more than 450 suppliers worldwide. This type of dissemination and awareness campaigns will be carried out gradually with the suppliers of Avangrid, Scottish Power, Iberdrola México and Neoenergía.

05

05.

Human rights among suppliers

5. Human Rights in suppliers

In the management of suppliers and during the procurement process, the measures taken by the Group to protect human rights are based on the principles arising from the Governance and sustainability system, specifically the Regulatory Framework and in particular the Code of ethics.

Based on these principles, Iberdrola has defined a supplier risk management system that includes registration, screening, risk assessment, supplier management, including remediation processes and skill development in suppliers. With this system, and through the processes and tools that support them, in which it supports its due diligence in human rights, among others, the Group continuously monitors the risks of its supply chain. Among other factors, this system considers:

- The country or geographical origin of suppliers,
- Their belonging to an industry,
- the specific risk associated to the suppliers equipment or product or the main commodity,
- as well as their link to potential controversies related to inadequate performance in terms of sustainability and, in particular, in terms of social, labour and other human rights aspects.

The operation of this system allows identifying the main risks and impacts in the supply chain and adapting prevention, mitigation and remediation measures as appropriate. In addition, Iberdrola accompanies this process with other actions specifically aimed at supporting its suppliers in understanding these risks and improving their management through engagement between potentially affected parties.

Commitment to Human Rights in the General Terms and Conditions for the Iberdrola group and in the Suppliers' Code of ethics

Iberdrola requires its suppliers to comply with Human Rights requirements, in accordance with the company's regulatory framework and, in particular, its Code of ethics.

Among these requirements, as detailed in Chapter 4, the obligation of suppliers to observe the fundamental rights of their employees in labour matters, to prevent harassment, to ensure adequate conditions of hiring, work, and health and safety, and to extend these same criteria to your own suppliers, subcontractors and other supply chains stands out.

In addition, through its Code of ethics, Iberdrola requires its suppliers to collaborate in identifying potential impact on Human Rights matters, as well as to establish plans for the prevention and correction of impacts in cases where they are particularly severe. Finally, the Group requires its suppliers to establish the necessary mechanisms for their professionals and third parties to submit complaints or claims anonymously in the event of possible human rights violations. as well as informing them of the internal information channels of the Group through which to report any practice contrary to the principles of the Code of ethics.

Moreover, the Group has set through its general terms and conditions, which are part of the orders and contract, social corporate responsibility clauses. These clauses are based on the UN Universal Declaration of Human Rights, the conventions of the International Labour Organisation and the principles of the Global Compact, and demand from suppliers, among other matters: that to provide and/or execute the supply, suppliers must adopt the necessary measures in their organisations to:

- Promote good practices that support and respect the protection of human rights.
- Avoid complicity of any kind in the violation of rights.
- Respect workers' freedom to join a trade union and the right to collective bargaining and comply with the supplier's local laws.
- Eliminate all kinds of forced and compulsory labour, understood as all work or service required of an individual under the threat of any kind of penalty. Only labour that is offered freely and voluntarily by the individual is acceptable.
- Reject any kind of child labour in its organisation, and respect the minimum working age as governed by current applicable legislation and have suitable, reliable mechanisms to verify the age of its employees.
- Remove any discrimination and/or harassment practice in terms of employment and occupation. Discrimination is construed as any differentiation, exclusion or preference by reason of race, colour, sex, religion, political opinion, nationality or social condition that leads to the annulment or alteration of equal opportunities in employment.
- Have a preventive approach to environmental issues to achieve sustainable development, limiting the Works whose impact on the environment may be harmful.

Finally, for certain supplies, according to their human rights risk profile, Iberdrola includes specific clauses in the contracts. Overall, these clauses set obligation such as:

- Meet the Iberdrola's Human Rights Policy and report any breach thereof.
- Avoid forced labour both in the activities carried out by the supplier and within its supply chain (from the extraction of commodities).
- Cooperate with Iberdrola in evidencing compliance with the requirements of its Code of ethics in the field of Human Rights, as well as those that may be established by the supplier in this area, to answer to information requests that may be raised by third parties.
- Collaborate in social and sustainability audits and traceability audits of the equipment or materials supplied in case Iberdrola wishes to perform them.
- Implement due diligence systems in accordance to recognised international frameworks in order to identify, prevent, mitigate and, where appropriate, redress any human rights impacts.

Through these clauses, suppliers commit to the principles of social responsibility and respect for human rights of the Iberdrola Group. It should be note that, during the term of the contract, the supplier must allow Iberdrola to review the degree of compliance with the principles in the contracts and, if breaches are detected and remedial plans not adopted, the company reserves the right to cancel the contracts.

Human rights monitoring in the supply chain

100% of suppliers of equipment and materials, works and services are classified through screening processes considering, among other areas, their significant risks and management practices in various areas related to human rights. Based on the criteria set, those suppliers considered to be of a higher risk are assessed in terms of ESG, with a special focus on:

- Human Rights Due Diligence: Availability of due diligence policies and systems in line with the Guiding Principles on Business and Human Rights, guarantee of absence of forced and child labour and modern slavery in their supply chains, existence of procedures for receiving complaints and complaints regarding human rights or discrimination, extending requirements and conducting social audits of its own supply chain.
- Labour practices: Respect for fundamental rights such as freedom of association and collective bargaining, decent conditions of remuneration and work in accordance with collective agreements and legislation, promotion of equality and diversity and work-life balance.

- Occupational safety: Existence of management systems, certifications, risk assessments, providing training to workers, monitoring hazards and rates, carrying out emergency plans and drills, etc.

These risks are managed and mitigated through the quality processes in place and regular audits carried out by each business unit.

This strategy was reinforced in 2022 with a global campaign of social and sustainability audits of key suppliers of general supplies to ensure compliance with the group's ESG criteria and validate the supplier assessment model. This initiative was reinforced in 2023, with a new plan to audit 46 key suppliers classified as key suppliers and considered to have a higher level of risk.

In turn, at the end of 2023, a new initiative has been launched to better understand certain specific supply chains. The goal is to deepen into the different levels of the manufacturing process applicable to certain equipment supplied for Iberdrola group projects that have a greater potential risk. To this end, and with the support of an external agency, Iberdrola has developed 6 traceability inspections on supplies for ongoing projects related to main teams where there is a human rights risk. The inspections have allowed to map the supply chain of key suppliers at higher levels and to assess the extent to which the supply chain is located in geographical environments with a particular risk in this area.

Reinforcement on the human rights due diligence

For 2024, the Procurement Division has included an ambitious multi-year target to strengthen the human rights due diligence system in the supply chain as one of its priorities. Therefore, it will define an action plan that will establish the actions to be undertaken in the year, as well as in the following years.

Following this line of action, the Group is working on different fields such as:

- Updating its Suppliers' Code of ethics as detailed in chapter 4 herein.
- Updating the General Terms and Conditions of Contract to adapt the requirements to any supplier in the field of human rights to the risks identified by the Group in this field.
- Ensure a homogeneous approach in the application of the Human Rights Clauses to those suppliers with critical supplies for the company and/or with a higher level of human rights risk.
- Deepen the systems to assess the level of specific human rights risk associated with the different suppliers, to ensure that the management carried out, in each case, allows for adequate risk management.
- Strengthen the social audits and traceability audits systems developed by the Group and update the internal procedure for action in case non-conformities are identified.

With all this, Iberdrola aspires to anticipate the fulfilment of the new human rights requirements that will soon be applicable as a result of the new legislation in this area, such as the new and recently adopted Corporate Sustainability Due Diligence Directive (CSDDD), which will be implemented in the near future.

Purchases from at-risk countries from a human rights perspective

In turn, on a frequent basis, purchases in countries considered of risk have been analysed, according to the human rights risk-country map prepared by an independent third party, showing the risks taking into consideration the operational context and activities, as recommended by the UN's Global Compact.

This map, updated in 2023, covers the 27 countries where the group operates, as well as the 54 countries where it procures, and takes into account violations of ILO core conventions on forced labour, freedom of association and collective bargaining, and child labour exploitation, among other indicators.

As detailed in the table below, in 2023, the procurement turnover from countries identified as having a high risk of human rights violations reached 0.52% of the total, a slight decrease compared to the value recorded in 2022, 1.45 % of the total, due to the increase in purchases from lower risk countries.

COUNTRIES⁶ QUALIFYING AS RISK COUNTRIES WHERE THERE HAVE BEEN PURCHASES⁷

% OF TOTAL PURCHASES

India	0.23 %
China	0.17 %
South Korea	0.05 %
Turkey	0.03 %
Hong Kong	0.02 %
Qatar	0.01 %

On the other hand, in 2023, no contracting with suppliers has been identified in which incidents related to the rights of freedom of association, collective bargaining, the use of child labour, or forced or non-consensual labour have occurred, nor is there any record of any complaints having been received for the aforementioned reasons, nor has any communication been received through the company's ethics mailboxes resulting in the termination of a no contract or order for reasons associated with human rights, corruption, labour practices or environmental practices,

nor have any suppliers been detected in 2023 with a significant negative social impact, nor have any incidents been recorded through the channels provided for this purpose that have led to the cancellation of orders or contracts with suppliers of the group due to negative social impacts.

In order to identify these impacts, the Group has set up mailboxes in the facilities to receive human rights complaints and claims, the management of which, if received, is carried out in accordance with corporate procedures that provide for a protocol of relationship and dialogue with the affected parties and potential victims. Precisely, in 2023, Vineyard Wind, the company promoting the eponymous wind farm in which Iberdrola participates in the United States, received through these channels a complaint filed by an employee of a contractor about an alleged case of harassment by a second employee of the same contractor. In application of the internal complaint management protocol, an initial assessment was carried out by Vineyard Wind which, in addition, requested the contractor to conduct an investigation seeking the opinion of the parties involved, among other investigations, as well as information on the measures taken or to be taken as a result of the analysis of facts and procedures. Through queries and dialogue between the different parties concerned, including the potential victim, and through investigations, it was concluded that there was insufficient evidence to back up the complaint.

Note that in 2021, a potential risk associated with allegations of forced labour was identified in the Xinjiang region of China linked to polysilicon producers supplying polysilicon to solar module manufacturers. Although this risk does not directly affect Group suppliers, it does affect the photovoltaic technology supply chain. Ever since then, Iberdrola promotes, among all its suppliers potentially exposed to said risk, strict compliance with the Suppliers' Code of ethics for the Iberdrola group. For this, as previously mentioned, Iberdrola has successfully required the inclusion of specific clauses to mitigate "Forced Labour" or "Modern Slavery" risks from all affected suppliers with which it has signed supply contracts.

In addition, the necessary clauses have also been included in the photovoltaic panel supply contracts to allow the right to conduct social and sustainability audits, as well as traceability audits, both for the manufacturers of the modules and for third party companies in their supply chains, to ensure the quality and traceability of the components.

At the same time, the Iberdrola group is actively participating in the main industry initiatives, such as Solar Stewardship Initiative (promoted by Solar Power Europe and UK Solar Power) and WindEurope, in which the manufacturers themselves also participate, with the goal of establishing common standards and tools to obtain objective evidence that human rights have been respected throughout the manufacturing process of the equipment incorporated in these projects.

6. Based on the suppliers' country according to their tax id.

7. The criteria used to identify risky countries are the same as those described in the in section "III.1. "Protection of Human Rights" section in chapter "III. Social" of the Sustainability Report for the 2023 financial year.

Iberdrola has also collaborated through its US subsidiary Avangrid in the Solar Industry Forced Labor Prevention Pledge promoted by the Solar Energy Industries Association (SEIA). Within the framework of this collaboration, progress has been made in the creation of a traceability protocol to identify the origin of commodities and to follow their incorporation in the final products used by the sector, mainly solar modules.

In addition, other Iberdrola subsidiaries also participate in other alliances and initiatives that promote the eradication of modern slavery together with other business agents. Some examples of these are the Slave Free Alliance or the Utilities against Slavery Working Group with whom Scottish Power collaborates, or the Risks of Modern Slavery Working Group of the Clean Energy Council (CEC), where Iberdrola Australia participates.

Last, from an internal perspective, in 2023 Iberdrola launched a multidisciplinary working group to monitor the risk of forced labor in the solar panels supply chain, with the aim of deepening the assessment of this risk, interpret legislative developments and define the necessary measures to strengthen the company's due diligence in this area.

A tour of human rights and your company

Human rights are relevant to businesses because they can have an impact on the human rights of all their stakeholders during the course of their operations.

Iberdrola provides its suppliers with an online awareness-raising module on human rights through its website.

We encourage to take our virtual awareness-raising tour of human rights and share it with their employees and other stakeholders.

The tour is available on the Human Rights and Business section of the corporate website.

<https://www.iberdrola.com/proveedores/contribucion-sostenibilidad/derechos-humanos-empresa>



Alignment of procurement and supplier management with human rights criteria:

INTERNAL MECHANISMS		EXTERNAL MECHANISMS WITH SUPPLIERS	
Purchasing Policy	Encourage rigorous compliance with the contractual conditions by suppliers, with particular attention paid to the principles outlined in the <i>Policy in regard to human rights</i>	<u>Code of ethics</u> (Supplier Clauses)	Labour practices: Respect the protection of basic human and workers' rights, as recognised internationally, within their area of influence (forced labour, child labour, etc.) Extension of requirements to subcontractors and the rest of the supply chain of the supplier
Supplier registration and classification	Acceptance of the <u>Code of ethics</u> Weighting of the supplier's status with regard to sustainability, labour practices and respect for human rights Analysis of the suppliers' risk in terms of modern slavery	Specific contracting terms and conditions	Specific contractual clauses relating to the supplier's social responsibility based on the UN Universal Declaration of Human Rights, ILO Conventions and the principles of the Global Compact Specific "reinforced" clauses in contracts, based of the risk profile of the supply
Screening	Blocking and remedial plan for cases in which a supplier has been sanctioned or there are signs their activities may violate human rights	Traction campaigns	As a locomotive company, we drive suppliers in areas of common interest to ensure reliable and responsible behaviour throughout the supply chain
Annual improvement goals	New feature: putting in place annual improvement goals for the Procurement Team that are directly linked to improvements in suppliers' sustainable development; these are linked to variable remuneration	Modern Slavery Act (United Kingdom and Australia)	Supplier classification and auditing protocols adapted to contractual clauses in material contracts
Sustainable Development Committee and Plan	The Procurement Division is a member of the Group's Sustainable Development Committee: guidelines, the targets set and their associated KPIs Multidisciplinary working group at corporate level to monitor the risk of forced labour in the supply chain for solar panels.	Sustainability Assessment Model	Specific section to assess the supplier's CSR and HR performance Social and sustainability audits at the work centres for certain key suppliers.
Transparency & Reporting	Purchase Indicator in risk countries Infographic Contribution to Sustainability Annual Procurement and Supplier Management Report published on the corporate website	Supplier of the Year Award	This promotes supplier commitment and improvement and publicly recognises those whose performance is outstanding



06

06.

**Sustainability
in purchasing
management
and the
relationship
with suppliers**

6. Sustainability in procurement management and supplier relationships

Iberdrola has the responsibility and the ability to encourage its suppliers to improve their environmental, ethical and ethics performance through actions that promote excellence in sustainability management.

The Procurement Division is an active member of the Sustainable Development Committee and is particularly attuned to the demands and interests of suppliers as strategic stakeholders.

Commitment to the sustainability of our supply chain at the highest level

The Procurement Division at Iberdrola has had the goal of improving the sustainability of its suppliers for more than 17 years, linked to the team's variable remuneration. In 2020, this objective was translated into a corporate sustainability objective organised around three fundamental pillars of sustainability that come under the acronym ESG: Environmental, Social and Governance.

In 2023, this objective was redefined for the 2023-2025 period, and it was once again included as one of the Group's strategic goals. Iberdrola's commitment to ESG criteria and its extension to its main suppliers is embodied in the ambitious goal of ensuring that at least 85% of the group's key suppliers are subject to sustainable development policies and standards by 2025.

Objective included in the Strategic Bonus 2023-2025 of the Iberdrola Group

This goal is directly reflected in the inclusion of this scale in the assessment of the Strategic Bonus 2023-2025, as broken down in item fourteen of the resolutions passed⁸ (subsection "b" in section "4. Parameters related to the Sustainable Development Goals ("SDGs")", at the General Shareholders' Meeting of Iberdrola, S.A., held on 28 April 2023.

The Strategic Bond 2023-2025 is set up as a long-term incentive linked to the Company's performance with regards to the performance of "Outlook 2023-2025" approved by the Board of Directors and any updates presented to investors. The Company's performance at 31 December 2025 will be assessed based on financial, business and sustainable development parameters, which project an ambitious and challenging scenario for a company, which is not content with continuing its profitable growth, in a way that is financially solid and committed to the Sustainable Development Goals, but aims at continuing strengthening its leadership within the electricity sector in the energy transition and decarbonisation.

In particular, for this objective, the remuneration plan is linked to the increase in the number of key suppliers subject to sustainable development policies and standards, such as having a human rights strategy, a Code of ethics for its suppliers, health and safety standards (SDG 3) and a global environmental sustainability strategy, including strategies on water (SDG 6), energy (SDG 7) and biodiversity (SDGs 14 and 15).

8 https://www.iberdrola.com/documents/20125/2729910/jga23_Acuerdosadoptados.pdf



The goal is supported by a specific assessment model for the supply chain defined for the entire Group in 2019 and implemented in 2020, which was integrated into the new systems implemented by the Procurement Division, both in the supplier classification system and in the procurement management system itself, incorporating the sustainability assessment of the Group's suppliers into the procurement decision-making process.

Supplier Sustainability Programme

The Iberdrola group has incorporated mechanisms and controls into its supplier management model and procurement procedures and process to ensure the effective internal implementation of sustainability improvement programs to stop its suppliers, as well as to identify and mitigate potential material risks and impacts resulting from supply activities.

However, in addition to adapting the tools and processes to efficiently manage this program, to be able to assess the potential ESG risks and, consequently, to plan corrective measures to ensure a solid performance in sustainability throughout the supply chain, we proceed, on a regular basis, to review the supplier's sustainability program.

The purpose of this periodic review is to ensure that the Supplier Sustainability Program adapts to the needs and expectations, both at internal level, of interest groups and of society.

That is why, during the first half of 2024, the review of the Sustainability Program with suppliers was initiated, in coordination with other key areas in the company, in order to identify the impact of the following legislation related to the sustainability of supply chains:

- Corporate sustainability reporting directive (CSRD),
- Carbon Border Adjustment Mechanism (CBAM)
- Corporate Sustainability Due Diligence Directive (CSDDD)
- Regulation banning products made with forced labour,

In short, the Procurement Division is responsible for ensuring that the review of the Supplier Sustainability Program, as well as the improvements required thereto, based on the criteria approved by the Board of Directors, are effectively implemented in the due diligence systems of the Iberdrola Group, in order to ensure harmonization between the ESG strategy for the supply chain and operational management of the Group's purchasing processes.

Monitoring the outcome of the Sustainability Program with suppliers

Ultimately, the Board of Directors monitors compliance with the strategy to implement the supplier's ESG programmes.

As part of Iberdrola's ongoing exercise of transparency and communication with shareholders and markets, the Company published the [Activities Report of the Board of Directors](#) for 2023 and its committees, which includes information on the Board of Directors, the Delegated Executive Committee, and the Board of Directors. the Risk Audit and Supervision Committee, the Appointments Committee, the [Remuneration Committee](#) and the Sustainable Development Committee.

During 2023, one of the main areas of attention of the Board of Directors was the supervision of risks with the greatest potential impact on the implementation of the Group's strategy. In turn, among ESG+F (Environmental, Social & Governance + Finance) Strategy supervision tasks, we can find:

- Acknowledging the degree of compliance with the Sustainable Development Plan 2020-2022 "Energy to advance", and the proposed update of the Plan for the period 2023-2025, and

- Monitoring the sustainability of the supply chain and, in particular, of the processes of the relationship of the Company in this matter with its suppliers.

By the end of 2023, more than 85% of the group's main suppliers that were awarded contracts in the 2023 already meet the established criteria and are subject to sustainable development policies and standards, thus meeting the % of key sustainable suppliers.

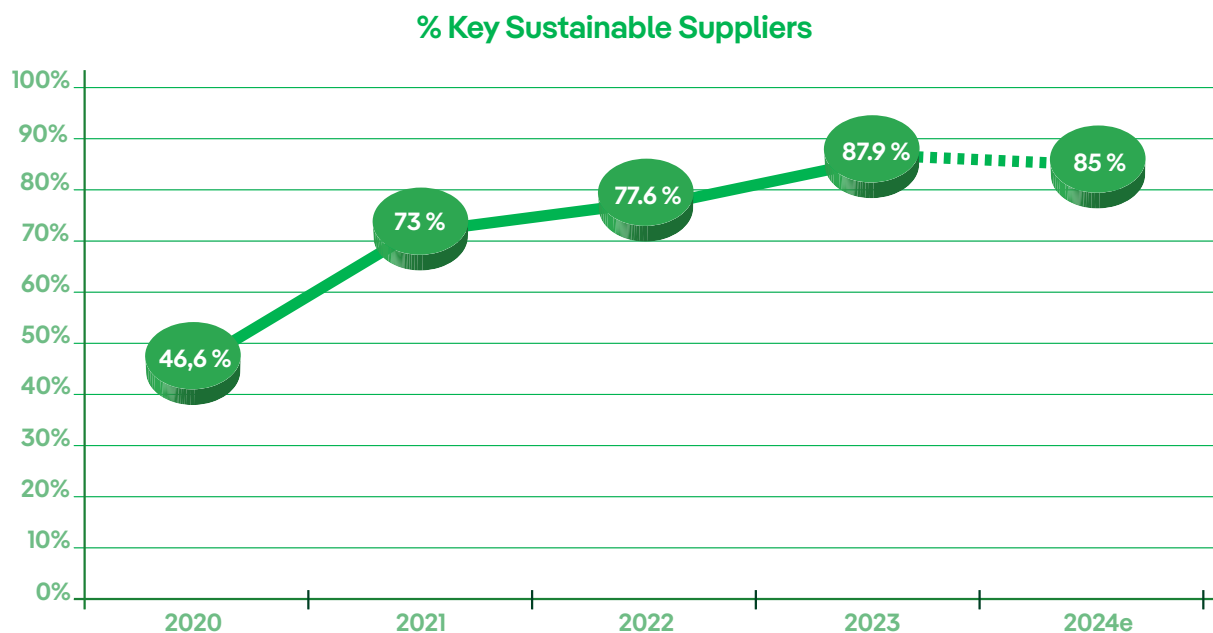
On the other hand, in 2023, Euros 17,121 million were allocated to suppliers assessed based on this ESG model. This amount represents 95% of the total amount awarded to the different suppliers that make up the Iberdrola Group supply chain. Of this amount, 16,340 million euros (90.2% of the total awarded) went to suppliers with the "adequate" level of sustainability mentioned above, thus exceeding the ESG target of purchasing from sustainable suppliers established for the year.

The outcome of the Supplier Sustainability Program and degree of compliance with the indicators established for 2023 are shown in the following table:

SUPPLIERS' SUSTAINABILITY INDICATORS 2023	Q1 2023	Q2 2023	Q3 2023	CLOSING 2023 4Q 2023	GOAL 2023:
Percentage of sustainable suppliers	80.50%	83.76%	86.33%	87.94%	≥ 82%
Purchases from local suppliers	85.81%	87.58%	87.00%	88.34%	≥ 80%
Purchases from sustainable suppliers	93.00%	93.02%	89.75%	90.20%	≥ 85%

Evolution of percentage of key suppliers subject to sustainable development policies and standards

For 2024, improvement targets have been set for the entire Procurement Division team related to the percentage of main suppliers that achieve these sustainability levels. The target for 2024 is for more than 85 % of key suppliers to be subject to sustainable development policies and standards and qualify as sustainable suppliers, with this target being set at management level, with the target being rolled out at business and country level.



* Data based on extrapolating responses obtained before the end of 2020, supplier onboarding year which ended in 2021.

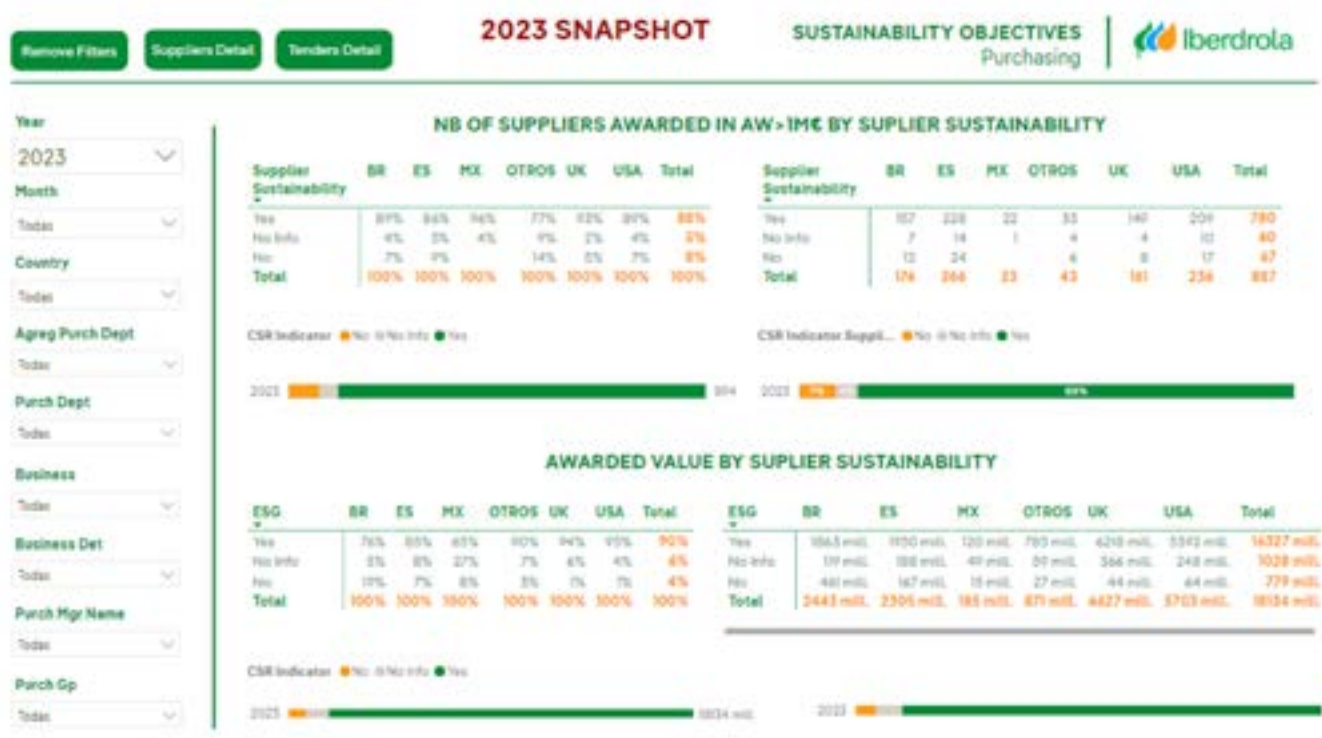
On-going monitoring of the indicators of the Sustainability Program with suppliers

Iberdrola, through its Procurement Division, has tools to monitor and ensure the effective implementation of supplier sustainability programs.

In order to monitor on an on-going basis the number of key suppliers subject to sustainable development policies and standards, a dashboard has been developed internally, in PowerBI, with real-time updating. Every day, after the awards are finalised, the dashboard is automatically updated, and it makes possible monitor this target, by business, country and category of purchase, as well as the identification of suppliers based on their sustainability profile.

Thus, all procurement managers are able to quickly view the updated sustainability profile of the suppliers that were successful. On the other hand, the tool also allows to monitor suppliers who are participating in ongoing tenders.

This availability of up-to-date information helps to quickly identify opportunities for sustainability improvement in each individual supplier and to set specific targets for improvement.



Continuous review processes to ensure compliance with the Code of ethics and sustainability criteria in the procurement process.

Iberdrola, through its Procurement Division, has tools to monitor and ensure the effective implementation of supplier sustainability programs.

The purpose of these processes is to ensure the efficiency of the Supplier Sustainability Program and that it adapts to the needs and expectations, both at internal level, of interest groups and of society.

All the suppliers that take part in tenders of more than Euros 700 thousand are assessed under Iberdrola group's sustainability assessment model, as well as with regards to other risks, such as a credit, compliance, health and safety and cybersecurity risks.

If, following the assessment of any supplier, the level of one of these risks is higher than normal, or an opportunity for improvement is detected to prevent potential conflict with ESG requirements and the Suppliers' Code of ethics, the corresponding improvement action plan will be negotiated with the supplier to continue with the contracting process.

Thus, we improve the supply chain's degree of compliance with the Sustainable programme with suppliers.

Prioritising sustainable suppliers in the award process

The Iberdrola group has set as a strategic target increasing the % of key suppliers subject to sustainable development policies and standards, qualifying as sustainable suppliers.

This is an unequivocal signal to encourage the improvement of the sustainability profile of Iberdrola suppliers, as suppliers recognise that sustainability is a priority in the contracting process.

When the award proposals made by the purchasing managers are submitted, during the selection process of the successful bidder, the sustainability assessment of the different bidders is included as a priority.

In those cases where a supplier does not meet any minimum requirement or the supplier has not implemented any requested improvement within the required period, they may be excluded from the procurement process losing the possibility of being successful.

Training on Sustainability for the procurement team

The effort made by all the purchasing managers in their daily communications with the suppliers with whom they regularly relate has been one of the keys to improving the sustainability of the Group's suppliers in the recent years.

Purchasing managers have been able to transfer sustainability requirements and priorities to their suppliers, and in some cases they have even had to do training work to explain some of the elements in the Group's assessment model and even advise on what possible lines of action they could undertake to achieve the required level of improvement.

Thus, it has been necessary to continuously train purchasing managers at a global level to make known and deepen the fundamental principles associated with the different ESG elements.

As a novelty, in this last year training pills on Sustainability have been included in the sessions called "Mejor te cuento" (It's better if I tell you), which are held on a monthly basis and to which all purchasing managers are invited to attend. They are "on line" sessions where new developments related to the Procurement Division, improvements implemented in the procurement process, as well as new requirements to be added to the process, are presented, where it has been possible to delve into several topics of interest focused on Sustainability and improving risk management and mitigation mechanisms.

Suppliers' classification and screening processes

Supplier management effectiveness has become an element of vital importance enabling constant improvement in the value chain while generating the necessary decision-making information in the Procurement area.

Iberdrola's rapid and profound transformation over recent years has also multiplied our responsibility as a global company, placing orders with thousands of suppliers worldwide during the year.

The global supplier management model is the foundation on which we build our comprehensive and uniform corporate processing for responsible supplier management whatever the suppliers' location, economic activity and the territorial scope in which purchases are made. Nevertheless, we respect local requirements that may exist in the supplier's country of origin.

The Iberdrola group has implemented supplier classification and screening processes to identify potentially critical suppliers based on the different risk criteria established in the Purchasing Policy, in:

- relevant or priority suppliers based on their relationship with the group's activities and

- suppliers with a higher **than normal** risk level

Below is a list of the automated monitoring and classification processes implemented that meet risk criteria:

- relevance or priority of the supplier for the Group's activities,
- risk of fraud and corruption,
- Sustainability risk of the supplier due to the potential negative impact on ESG (environmental, social and governance and ethics), taking into account the following the specific risk methodology or factors:
 - The country or geographical origin of suppliers,
 - Their belonging to an industry,
 - the specific risk associated to the supplied equipment or product, the main commodity or the service provided,
 - as well as their link to potential controversies related to inadequate performance in terms of sustainability and, in particular, in terms of social, labour and other human rights aspects.
- cybersecurity risks,

Iberdrola has deployed different methodologies for the execution of the suppliers screening and classification processes, since some of them are carried out internally by different areas within the Group based on their own criteria, and in other classification processes, external support is available through specialised platforms and services.

In short, suppliers classification and screening processes, among others, are the initial step to identify those suppliers on whom the corresponding assessments should be carried out.

Initial enhanced screening in the registration of suppliers

In 2021, the Group's Compliance Unit implemented a new form of "*reinforced screening*" so that all suppliers that register in the Iberdrola Group's procurement systems are analysed in matters of fraud and corruption, as well as their parent companies and/or subsidiaries, directors and shareholders.

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

In the analysis of the risk of fraud and corruption, it considers, among other aspects:

- Links with countries considered by the compliance function as higher than normal risk.
- International Sanctions.
- Adverse news or incidents in the field of:
 - Human rights.
 - Modern slavery and child labour.
 - Corruption and bribery.
 - Growing
 - Environment.
 - 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 is considered **higher than normal**, the compliance function will monitor all transactions intended to be entered into with that third party.
- Third parties (Suppliers and debtors) considered as **critical fraud risk** are blocked in the systems, which prevents the execution of any transaction or payment in relation to them, thus resulting in their inability to participate in procurement processes.

During 2023, 4,363 third-party assessments (suppliers and debtors) were carried out through this process compared to 5,250 in 2022.

Daily screening

After initial screening at the time of registration, all third parties, including Group suppliers, are monitored daily through fraud and corruption databases (ongoing screening).

The external service monitors this processes and if there are any updated on any of the Group's suppliers or third parties, sends an automatic alert to the competent compliance function, which immediately analyses the new information to update said supplier's risk assessment.

Based on this analysis, the compliance function qualifies the risk of fraud and corruption of suppliers and this classification is added as an indicator of the supplier in the corporate management systems, among which are Procurement platforms.

Suppliers classification by relevance or priority of the supplier for the Group

During 2022, an automated system was implemented to make the supplier classification process more efficient by assigning priority levels. Therefore, it is possible to standardise the classification levels in order to speed up the process of assessing suppliers. The assignment of priorities is based on the assessment of the relationship existing at all times with each of them, in terms of activity and the level of participation of the Group's suppliers in the tenders to which they are invited. Those suppliers with which there are current contracts in force are also taken into account. In this way, resources are focused on subsequently analysing those suppliers with current and potential future relationships.

This classification process is the basis for determining which suppliers should be assessed according to their level of relevance and priority, taking into account that there are differences between the different groups of suppliers that:

- Would like to work with Iberdrola,
- Are participating in a tender,
- Have been awarded a contract or framework agreement to supply equipment and materials or to execute works and services,
- Have a current service provision contract in and/or outside Iberdrola's work centres,

Therefore, it is possible to standardise the classification levels in order to speed up the process of assessing suppliers.

In general terms, we consider critical suppliers to be those suppliers that have participated in a tender for an amount equal to or greater than €700,000 and may be potential winning bidders.

Suppliers' screening due to cybersecurity risk

In 2023, a new methodology was implemented to mitigate cybersecurity and data protection risks in the selection process of suppliers to be contracted by the Iberdrola group, consisting of assessing, in advance, their degree of maturity to manage cybersecurity and data protection risks.

For several years, the requesting organisations, together with the cybersecurity and data protection managers of the Group's businesses, have assessed for each of the purchasing processes the implied risk associated with the scope to be contracted. Depending on the result of this assessment, for scopes identified with high or critical cybersecurity and data protection risk, the contractual documentation to negotiate with the supplier and incorporate in orders or contracts has been determined.

As a new requirement since October 2023, all those tender processes that following the assessment of the scope to be contracted are identified with high or critical risk in cybersecurity and data protection, must perform a specific assessment to obtain their score, called "Score in Cybersecurity".

To make this supplier classification process more efficient, an automated process has been designed and implemented. This system selects every day those new suppliers that participate in tenders identified with high or critical cybersecurity and data protection risk. After selecting suppliers, the system sends a request to the supplier risk management platform and through it, the identified suppliers are invited to complete the corresponding cybersecurity and data protection assessment.

Identification Tier-n suppliers

The depth of Iberdrola's supply chain is a challenge when it comes to establishing an analysis and classification of suppliers and determining conditions beyond direct suppliers Tier-I).

Since 2020, most global supply chains have been distorted by a succession of logistical setbacks, demand surges, geostrategic and military conflicts, escalating raw material and energy costs, extraordinary global inflation, rising wage costs, and even supply chain disruptions for many sectors. With the appearance of these tensions, it has become even more important to improve the knowledge of Iberdrola Group's supply chains and identify and monitor those of a higher risk.

Historically, the responsibility for managing the behaviour of the next levels of the supply chain has been transferred to direct suppliers through the conditions established in the Code of ethics and the general terms and conditions for contract.

Currently, the Iberdrola Group's sustainability assessment model for suppliers includes questions to identify elements our suppliers have in the management of their own supply chains and those with third parties overall. Suppliers must answer whether they have any of the following elements:

- Mechanisms to assess the ethical integrity of third parties with which it interacts.
- Specific terms and conditions on the fight against bribery and business ethics or other means to transfer these commitments to third parties.
- Ethic channels to be used by their own suppliers to report behaviours that may imply commission of irregularities or any action against the law or the rules.
- Specific terms and conditions on respect for human rights in all the areas where they carry out their activities, enabling the termination of the contract in case of detecting vulnerabilities.
- Suppliers' classification and assessment system in terms of sustainability.
- Social and sustainability audits to key suppliers.

The goals defined by the Iberdrola group's Procurement Division in 2023 included the development of a new model to identify the origin of Tier-n suppliers in the supply chains of critical equipment and material suppliers. This target was defined aiming at developing knowledge and tools to face the challenges posed by new legislation in this area.

In 2023 the new methodology was defined to determine the origin of key equipment to have visibility of the supply chain, improve the assessment of the local purchasing indicator and identify those suppliers, beyond Tier

1 suppliers, that may have a greater potential risk in relation to compliance with the Suppliers' Code of ethics and the ESG criteria of the Group.

For 2024, it is expected to carry out several proofs of concept to develop capacities that allow to identify and assess those suppliers, beyond Tier-1 suppliers that could have a greater risk with regards to the Supplier's Code of ethics and the Group's ESG criteria.

Suppliers' indicators classification and screening

Based on the identification of suppliers resulting from the classification and screening processes, those potentially critical suppliers are identified, whether due to their level of relevance or priority, based on their relationship with the group's activities or to having been identified as a higher than normal risk level.

The following table shows the number of suppliers identified as potentially critical:

SUPPLIERS' CLASSIFICATION AND SCREENING	2023	2022	2021
Total number of Tier 1 suppliers	18,711	18,753	20,235
Total number of Critical Tier 1 suppliers ⁹	1,507	1,201	1,812
% of expense in potentially critical suppliers in Tier 1	93.44%	96.46%	94.51%
Total number of NO potentially critical suppliers in Tier 1	0	0	0
Total number of potentially critical suppliers	1,507	1,201	1,812

The risk assessment of potentially critical suppliers of the Iberdrola group is mainly done through the GoSupply platform.

Suppliers' sustainability assessment

Iberdrola looks for sustainable, transparent, fair and ethical supplies and suppliers. Therefore, after having identified through the classification and screening processes those potentially critical suppliers based on the different risk criteria established in the Purchasing Policy, they will be assessed during the purchase process to know the potential risk. Thus, it is verified that their "modus operandi" is aligned with the group's policies, principles and responsibilities.

When a supplier which has not been previously assessed is invited and participates in a tender with an estimated value equal to or greater than Euros 700,000, or if it has been detected, through the classification and screening processes, that the supplier has a higher than normal level of risk, the supplier will be automatically invited to register on GoSupply, under the **360° level category**, to be able to assess the supplier's full risk profile.

This assessment is carried out at an early stage of the process, and after obtaining the result, it will allow the purchasing manager to identify the risk mitigation measures deemed necessary.

For tenders of less than Euros 700,000, or those considered to have no potential risk, the suppliers participating will also be assessed through GoSupply under the **Basic category**.

360° suppliers sustainability assessment on GoSupply

Iberdrola's Procurement Division has designed its own model to assess the position and performance of each key supplier around the three fundamental axes of Sustainability: environmental, social and governance (ethics and compliance) aspects, aligned with the principles of our Code of ethics.

The model has been agreed with internal stakeholders ESG, Compliance, Innovation, Sustainability and Quality Divisions, and has also been validated by Forética, an external organisation specialising in this area.

In order to share our model with our suppliers and other stakeholders, specific computer graphics have been developed and are available on our website (Supplier Sustainability Assessment (www.iberdrola.com)).

⁹ bearing in mind the Tier 1 suppliers is every successful bidder for an order for the year

https://www.iberdrola.com/documents/20125/42205/Modelo_Evaluacion_Sostenibilidad_Proveedores.pdf



Supplier Sustainability Assessment Model



Why is supplier sustainability important to Iberdrola?

85%

SPECIFIC TARGET FOR 2023-2025

Sustainability is a key value for Iberdrola, both because of the demands and assessments made by our stakeholders (shareholders, financial institutions, customers, etc.), which help us to positively differentiate ourselves, and also because of our own sense of corporate responsibility by contributing to the improvement of the community where we live, which is in Iberdrola's DNA.

The Iberdrola group has assumed the ambitious undertaking that **85% of the Group's main* suppliers must be subject to sustainable development policies and standards by 2025.**

*Group's main suppliers: any supplier that has been awarded over 1 million euros during the year. In 2023, more than 95% of the total amount was awarded to main suppliers.



How do we do it?

We apply our own model supported by a **global supplier management platform** that enables us to **measure supplier sustainability** to be able to use this parameter in the procurement **decision-making** processes. We help suppliers who do not reach adequate levels by sending them an **improvement proposal**.

1

MODEL

E S G

2

PLATFORM



3

MEASUREMENT

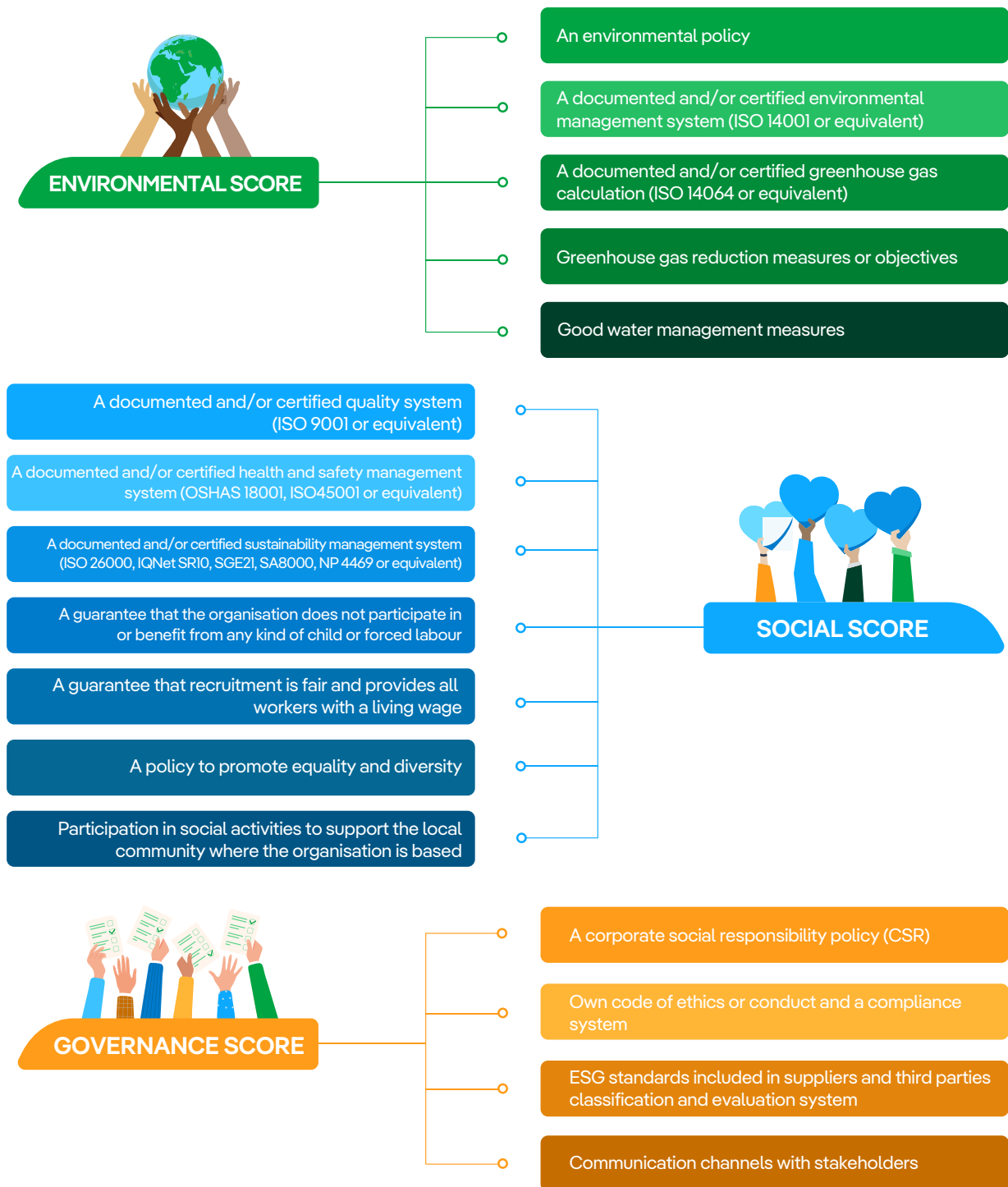


INTEGRATED IN
PROCUREMENT
DECISION-MAKING



IMPROVEMENT PLANS

Examples of ESG factors assessed



PLATFORM

We have selected the GoSupply cloud solution as our system for the classification and measurement of suppliers' risks and sustainability. Each supplier's ESG score is calculated based on information supplied by the suppliers themselves and third parties.

UPDATE

We use GoSupply to assess and drive our supply chain to achieve higher sustainability standards.



MEASUREMENT

The Iberdrola group has assumed the ambitious commitment that 85% of its main suppliers must be subject to sustainable development policies and standards by 2025.

Requirement: **E** **S** **G** ≥ 51 points
E ≥ 30% **S** ≥ 30% **G** ≥ 30%

INTEGRATION IN PROCUREMENT DECISION-MAKING

Our suppliers' ESG score is part of the IBUY process, the Iberdrola Procurement platform.

Our buyers analyse the score along with the other risks at key points in the process (invitation to take part in a tender process, closing negotiations and awards). In the mid-term, companies that do not reach the required standards run the risk of being dropped as Iberdrola suppliers.

The suppliers sustainability assessment model is adapted to the international reality of the Iberdrola group.

Supplier assessment includes the supplier's performance in wide-ranging areas: identification of goals linked to the Sustainable Development Goals (SDG), management of risks resulting from climate change, circular economy strategy, due diligence in human rights, etc.

This assessment is carried out by GoSupply through its platform based on the suppliers sustainability assessment model defined by Iberdrola. Supplier responds to a survey requesting suppliers to provide supporting information and evidence about their policies, practices, performance and public disclosures regarding ESG. Then, this information is reviewed, verified and analysed, by GoSupply. The outcome is an ESG performance assessment of the supplier, by giving it a score. This process implies implicit systematic verification because the specifications and requirements set are met.

Iberdrola's assessment model has been agreed with internal stakeholders: Social Responsibility, Compliance, Sustainability and Environment Divisions, and it has also been validated by Forética, an external organisation specialising in this field.

For each of the three areas analysed, the following information will be taken into account:



Following the analysis, suppliers are classified into two levels: adequate if their score is over 51 points out of a possible 100 at least 30% of the points in each of the ESG axes, and inadequate in all other cases.

Social and sustainability audits to suppliers

A protocol for social and sustainability audits was designed in 2021, and in 2022 a specific ESG audit plan was launched for key suppliers.

The 2022 plan includes ESG audits to 42 suppliers in the Group's 5 main geographies (Spain, United Kingdom, United States of America, Mexico and Brazil).

Suppliers from all of Iberdrola's main geographic areas were audited under this plan. The selection of the suppliers to be audited has been done jointly with the internal audit area to ensure total impartiality and a more efficient selection.

These social and sustainability audits to suppliers are aimed at verifying compliance with the Group's ESG criteria and to check, at the suppliers' premises, the validity of the responses previously recorded in the supplier classification system.

With the audits plan 2023, 28 ESG audits were carried out during the year in the Group's 5 main geographies, as well as in China and Korea. This plan was extended in the first quarter of 2024, and 16 additional audits were done, totalling 44 audits.

The outcome of the 2023 ESG audit campaign was very satisfactory. The audits have shown that the suppliers audited have a very high level of implementation of ESG policies and good practices.

It has been possible to confirm the assessment carried out through the supplier classification platform with the assessment carried out on these same suppliers by the auditors on site, obtaining very similar overall scores.

This new campaign had an improved execution process, as a new module has been implemented in the supplier classification tool to digitise the process from start to finish. This tool will allow the assigned auditor to plan the dates of the audit, to receive the requested evidence in advance, and during the on-site audit, to manage the collection and validation of the evidence directly on the platform and in real time.

On-site audits have been conducted by independent third-party audit firms, which are approved or certified by certification bodies in accordance with the requirements for bodies conducting audits and management systems certifications (e.g. SA8000, ISO standards).

On-site supplier assessments have included visits to supplier's sites by an auditor to assess their ESG operations, policies, systems and performance, which typically involve reviewing document and record, site visits and interviews with company representatives, employees and other stakeholders.

To carry out this ESG audit campaign, we had the excellent collaboration from firms of recognised prestige in the sector such as Bureau Veritas (Brazil, Mexico, China and Korea), Oca Global (Spain and USA) and GoSupply (Spain, UK and the rest of Europe). The close collaboration with each of them has made it possible to improve the audit protocol used in 2024.

For 2024, they have already selected 36 additional key suppliers to carry out this new assessment process through audits, with the aim of exceeding 50 audits in the year.

Traceability inspections to key equipment suppliers

At the end of 2023, a new initiative has been launched to better understand certain specific supply chains. The goal is to deepen into the different levels of the manufacturing process applicable to certain equipment supplied for Iberdrola group projects that have a greater potential risk. To this end, and with the support of an external agency, Iberdrola has developed 6 traceability inspections on supplies for ongoing projects related to main teams where there is a human rights risk. The inspections have allowed to map the supply chain of key suppliers at higher levels and to assess the extent to which the supply chain is located in geographical environments with a particular risk in this area.

Suppliers' Sustainability assessment Indicators

The following table presents the quantitative data of the suppliers identified as potentially critical in the classification and screening processes, the suppliers assessed and those identified with need to undertake action plans:

SUPPLIERS ASSESSMENT	2023
Total number of suppliers classified as potentially critical	1,507
Total number of suppliers classified as potentially critical assessed through GoSupply or through on-premise audit processes	1,441
% of suppliers classified as potentially critical	95.62 %
Suppliers assessed implying corrective mitigation measures	95
Suppliers assessed implying improvement plan	170

Following the screening process, a total of 265 suppliers assessed with potential or actual risk requiring a corrective plan or an improvement plan to mitigate the level of risk in terms of sustainability.

Corrective measures and improvement plans

Corrective plans and measures

During 2023, the suppliers classified as potentially critical were assessed and following the assessment, 95 suppliers whose level of risk is critical and could have some impact were identified.

For this group of suppliers, in accordance with the Guide on actions and sanctions to suppliers in the event of practices against the Code of ethics, corrective measures have been taken on a total of 93 suppliers. Overall, and after assessing each case, and identifying the main root cause, the measures to be taken by the supplier were set, establishing compliance targets and deadlines. These corrective measures have two functions: establishing measures aimed at mitigating and/or remediating detected breaches of the Code of ethics and trying to prevent they happen again in the future.

Eventually, sanctions have been imposed on 19 suppliers and it was decided to terminate the contract relationship with two of them.

Sustainability improvement plan proposals to suppliers

We engage our suppliers to make them more sustainable. We give suppliers who are technically valid and economically competitive the opportunity to catch up on ESG aspects. We send customised improvement plans to those suppliers that do not meet the appropriate sustainability levels, for a long-term relationship with Iberdrola.

In 2020-2022, improvement plans proposals were sent to 912 Group suppliers and the result of this initiative was that 57% of them have managed to improve their level of sustainability to the level of "adequate".

At the closing of 2023, improvement plan proposals have been sent to 170 suppliers. As a result, specific lines of action have been agreed with suppliers, attaining the figure of 50% of suppliers already qualified as Sustainable suppliers when this report was issued and the remaining percentage is in the process of improving in this regard.

Therefore, this not only acts as an incentive to suppliers to improve their profiles through actions that encourage excellence in business management, but also encourages the Procurement Division, using quantifiable targets, to select companies that have evidenced a solid performance in social responsibility or have committed to improving.

Corrective measures and improvement plans indicators

CORRECTIVE MEASURES AND IMPROVEMENT PLANS	2023
Suppliers assessed with a potential or real impact or with corrective mitigation measures implemented	93
Suppliers assessed with a potential or real impact and with corrective measures implemented with whom the contractual relationship has been terminated	2
Suppliers assessed with a potential or real impact with agreed improvement plan	170

Extract from an improvement plan

Suppliers that do not reach the required levels are sent a personalised ESG improvement plan indicating the areas in which they can improve and a deadline is agreed with them to attain results.



Improvement plan request:

CHURCHILL RECOVERY SOLUTIONS LTD.

Dear supplier,

Scottish Power as part of the Iberdrola group is firmly committed to ensure that all its corporate activities and business, which contribute to the success of its business project, are developed by promoting the creation of value in a sustainable manner.

One of the key elements to achieve a successful implementation in this task is the close collaboration with the Supply Chain, and especially with our main suppliers since, as strategic partners, they make the development of the Group's activity possible.

For this reason, we are requesting the collaboration of CHURCHILL RECOVERY SOLUTIONS LTD. to improve its sustainability profile through the definition and implementation of its own improvement plan, including commitments to measure its carbon footprint and reduce emissions in the short and medium term.

Background

In 2020, the Iberdrola group established among its strategic objectives for the period 2020-2022 the increase in the number of suppliers that actively promote Sustainable Development that incorporate policies, standards and good practices into their management systems, such as: having a global strategy of environmental sustainability, have measures for the efficient use of water (SDG number 6) and energy (SDG number 7), establish measures for the conservation of biodiversity (SDG numbers 14 and 15), or have a human rights strategy, a code of ethics or conduct and health and safety standards (SDG number 3), among others.

In turn, the Iberdrola group designed its own model to assess the positioning and performance of each supplier around the three fundamental axis that constitute

It should be noted that in 2023, the targets related to increasing purchases from key suppliers assessed as “adequate” have been met, and to the implementation and monitoring of improvement plans for those key suppliers that did not meet the minimum requirements set established by Iberdrola when they became the successful bidders.

In the previous period, 2020-2022, 912 improvement plans proposals were sent to Group suppliers and the result of this initiative was that 57% of them have managed to improve their level of sustainability to the level of “adequate”.

In 2023, this initiative has been continued, attaining, by the end of the year, a total of 1,082 suppliers with an improvement plan proposal submitted and increasing to 64% the suppliers that, following the implementation of improvement actions, reached the required level of sustainability.

Therefore, this not only acts as an incentive to suppliers to improve their profiles through actions that encourage excellence in business management, but also encourages the Procurement Division team to choose those companies that, throughout the process evidence a solid sustainability performance or have committed to improving their sustainability.

Suppliers development

The Iberdrola group, in collaboration with other entities, has promoted several initiatives aimed at developing skills to systematically improve suppliers’ practices and performance on specific ESG issues.

During this period, several programs have been launched, mainly focused on sustainability training and collaboration with suppliers to calculate their carbon footprint, among which are:

- Participation in the 1st edition of the Sustainable Suppliers Training Program
- Participation in the 2nd edition of the Sustainable Suppliers Training Program.
- + Sustainable SMEs programme
- “Enhancing supplier’s Compliance system” Programme

These programs go beyond supporting corrective actions and are usually medium-term programs that require time to be implemented.

These initiatives showcase a long-term commitment to developing long-term skills and knowledge with the aim of improving ESG performance.

In this period, a total of 852 suppliers have been included in these supplier development programs, which represents a significant increase compared to the previous year.

Emissions associated with the supplier chain

In its firm commitment to fight climate change, Iberdrola attempts to extend the effort to comply with emission-reduction objectives to its suppliers. Emissions data from suppliers is obtained via a yearly environmental awareness campaign to encourage the reduction of CO₂eq emissions in the supply chain.

Through this initiative, we want suppliers to demonstrate their effectiveness in managing, controlling and reducing greenhouse gas (GHG) emissions, while understanding the impact of climate change on their businesses and managing the associated risks appropriately.

Emissions proportional to the supplier's invoicing volume to the Company as a share of the total were taken as corresponding to Iberdrola, based on the replies to the questionnaires.

The following table presents the emissions associated with the supplier chain included in the Iberdrola Sustainability Report for 2023.

EMISSIONS ASSOCIATED WITH THE SUPPLY CHAIN	EMISSIONS SCOPE 3 (tCO ₂ eq)
2023	3,730,938
2022	2,944,448
2021	3422571*
2020	5,250,951*

* The calculation method changed in 2020. A country-by-country factor was used to calculate emissions until 2019, whereas in 2020 an average factor was used. This means the data for 2019 cannot be compared with the data from previous years.

** In 2021, an annual review and update of the emission factors was carried out and has led to a reduction of the values in the United States and Brazil. The emission factors used in the calculation of each of these emissions are obtained from official sources. More information on Scope 1, 2 and 3 emissions can be found in the Greenhouse Gas (GHG) Report audited annually under ISO 14064-2018.

These campaigns also give suppliers the opportunity to tell us about any environmental projects they are working on, or if they have an environmental projects that they would like to undertake in partnership with Iberdrola.

SteelZero membership

In April 2022 Iberdrola formalised its membership of the international SteelZero initiative, led by Climate Group in collaboration with **Responsible Steel**.

By joining this alliance, the Iberdrola group maintains its commitment to incorporate sustainable steel in its future projects. The Group has set an ambitious target of using 50% low-emission steel by 2030, with the goal of reaching zero emissions by 2050.

With this project, Iberdrola and SteelZero contribute to sending a strong signal of a demand to shift global markets and policies towards responsible steel production and sourcing. The companies that have joined this alliance will ensure that the materials used in the production of renewable energy infrastructure are in line with a carbon-free world.

Decarbonising steel-making is possible and there are already several promising alternatives through direct electrification or green hydrogen. In the future, thanks to the expected cost reductions in renewable energy and green hydrogen driven by Iberdrola, green steel could become more competitive, benefiting all consumers.



For this reason, the Iberdrola Group will progressively appreciate the fact that its main suppliers are also making commitments in this area and adhere to alliances of this kinds.

First Movers Coalition membership

On 23 January 2023, Iberdrola announced at the Davos Forum that it is joining the *First Movers Coalition (FMC)* to help accelerate decarbonisation and promote the use of green steel. The company becomes the first Spanish company to join and commits that **at least 10 % of its annual purchases of this material by 2030 will be made using green steel**, a product made with near-zero emissions (near-zero steel).

Led by the World Economic Forum, the initiative itself already has some seventy members committed to creating new markets for clean, innovative technologies, essential for the energy transition and the goal of zero net emissions by 2050.

This global coalition relies on the combined power of companies to send an early signal that there is demand for clean products, even in the most difficult industries to decarbonise. Seven sectors currently account for 30% of global emissions: aviation, chemicals, cement and concrete, shipping, steel and trucks.



The members represent a market capitalisation of around \$8 billion. All have committed to procure or contract a percentage of industrial and long-haul transport materials from suppliers offering near-zero or zero-emission solutions.

One of the activities in which Iberdrola collaborates in this coalition is to help launch regional initiatives. The coalition has chosen to develop a series of initial workshops, at local level, starting with India and Brazil. The aim of these sessions is to work on the decarbonisation of the steel sector, with the participation of the government, companies and financial institutions, in order to define specific actions that include the assessment of the current situation of the sector at local level, identify challenges and opportunities, and provide local administrations with policy recommendations, together with other stakeholders, in order to implement future projects in a more agile way.

The Iberdrola Group selected its subsidiary company Neoenergía in Brazil to join this group and take part in the local First Movers Coalition initiative in Brazil held by the end of 2023.

This commitment complements previously reached agreements such as the SteelZero initiative.

SDG awareness-raising actions

Iberdrola is a company committed to achieving the Sustainable Development Goals and raising awareness of the importance of these goals among its suppliers.

An example of this is the design and launch in 2019 of the new supplier assessment model for sustainability, as mentioned in section “Sustainability in procurement management and supplier relationships” of this report.

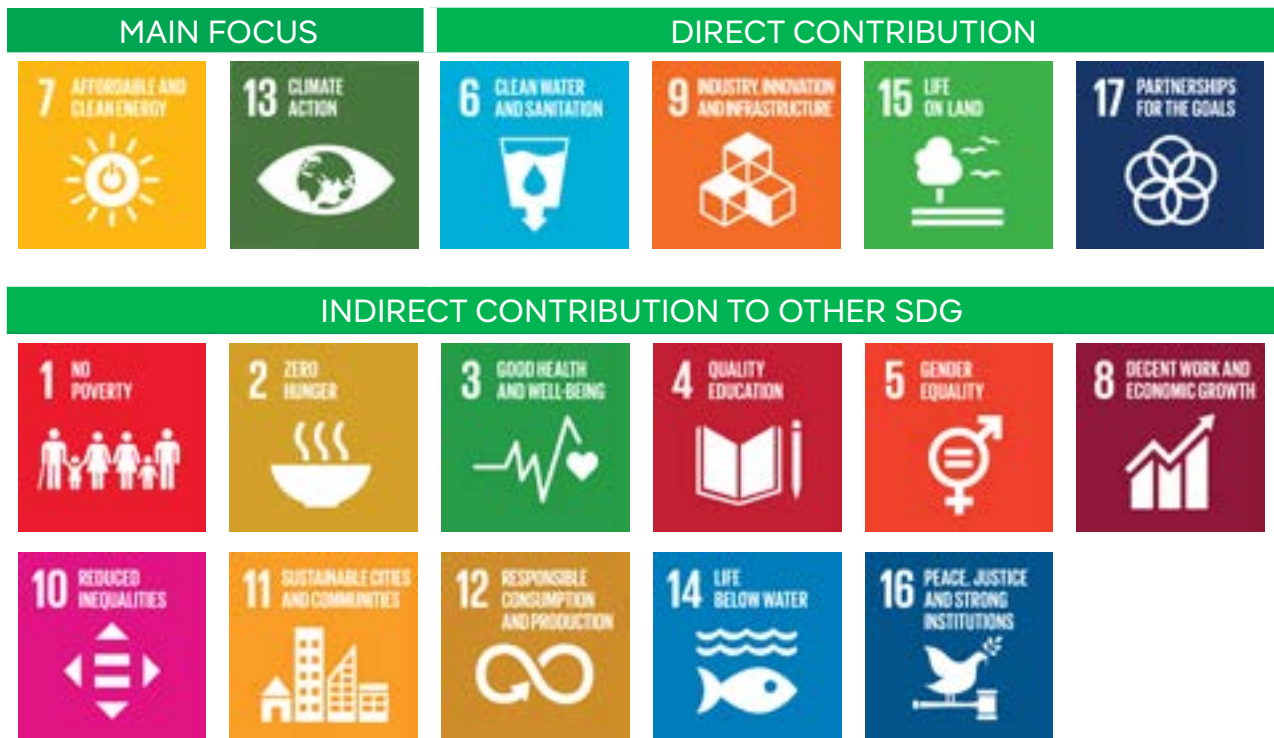
In particular, it was reinforced when in 2020 the increase in number of main suppliers subject to sustainable development policies and standards was included as an strategic goal. These policies and standards include having a human rights strategy, a Code of ethics for its suppliers, health and safety standards (SDG 3) and a global environmental sustainability strategy, including strategies on water (SDG 6), energy (SDG 7) and biodiversity (SDGs 14 and 15).

Supplier assessment takes into account a supplier’s performance in wide-ranging areas, such as the writing of an annual sustainability report, their inclusion in a sustainability index, having signed up to the United Nations Global Pact, the identification of goals (both financial and non-financial) linked to the Sustainable Development Goals (SDGs), the management of risks resulting from climate change, a circular economy strategy, due diligence in human rights, etc.

In addition, since 2018, the supplier satisfaction survey done every two years includes a section relating to involvement in the different SDGs. In previous years, this information had been in a separate survey.



SGD AS PART OF THE GROUP'S BUSINESS STRATEGY IBERDROLA



From the responses received in the latest edition of the 2022 survey, the SDG 7 "Ensure access to affordable, secure, sustainable and modern energy" was selected by 12% of the suppliers surveyed, followed by SDG 8 "Decent work and economic growth" at number 9: "Build resilient infrastructure, promote sustainable industrialisation and foster innovation", number 3 "Health and well-being" with 11% each. SDG 13 "Climate Action", with 10% of those who answered the survey, and SDG 15 "Gender Equality" selected by 9% of suppliers. The other goals have been selected to a lesser degree.

01.

SDG 7 "Ensure access to affordable, reliable, sustainable and modern energy for all"



12%

02.

SDG 8 "Decent work and economic growth"



11%

03.

SDG 9 "Ensure healthy lives and promote well-being for all at all ages"



11%

04.

SDG 3 "Good health and well-being"



11%

05.

SDG 13 "Climate action"



10%

06.

SDG 5 "Gender Equality"



9%

Alignment of Procurement and supplier Management with respect for the environment and sustainability

There is a summary of the main mechanisms in place to align procurement and supplier management with regard to the environment and sustainability in the table below.

INTERNAL MECHANISMS		EXTERNAL MECHANISMS WITH SUPPLIERS	
Purchasing Policy	This contains the environmental principles that the supplier must accept and the principles of responsible, sustainable management in the Iberdrola Group supply chain	<u>Code of ethics</u> (Suppliers Clauses)	Incorporates environmental principles. The Group's suppliers must accept it and it is attached to orders and contracts
Supplier registration and classification	Having an environmental certification is weighted in the supplier's overall assessment. Iberdrola's Environmental Policy must be accepted	Specific contracting terms and conditions	Environmental clauses that the supplier must comply with during the term of the contract
Tender process	The environmental assessment of the supplier is evaluated in the offer evaluation and award proposal phases of the contract	Traction campaigns	As a driver company, we proactively promote environmental certification among our suppliers, supporting them in their pursuit of excellence and generating multiplier effects
Annual improvement goals	New feature: putting in place annual improvement goals for the Procurement Team that are directly linked to improvements in suppliers' sustainable development; these are linked to variable remuneration	Carbon footprint measurement	Periodic campaign to measure greenhouse gases among suppliers
Global environmental system	The Procurement Division is a member of the Group's Sustainable Development Committee: guidelines, the objectives set and their KPIs. Audits	Sustainability Assessment Model	Includes environmental factors: biodiversity, circular economy, climate change risks, etc. Assessment of suppliers, quantifying their relative position in terms of the management that they carry out
Transparency & Reporting	Purchase Indicator in risk countries Infographic Contribution to Sustainability. Annual Procurement and Suppliers Management Reports published on the corporate website	Supplier of the Year Award	This encourages supplier commitment and improvement, and publicly recognises those whose environmental performance is outstanding



07

07.

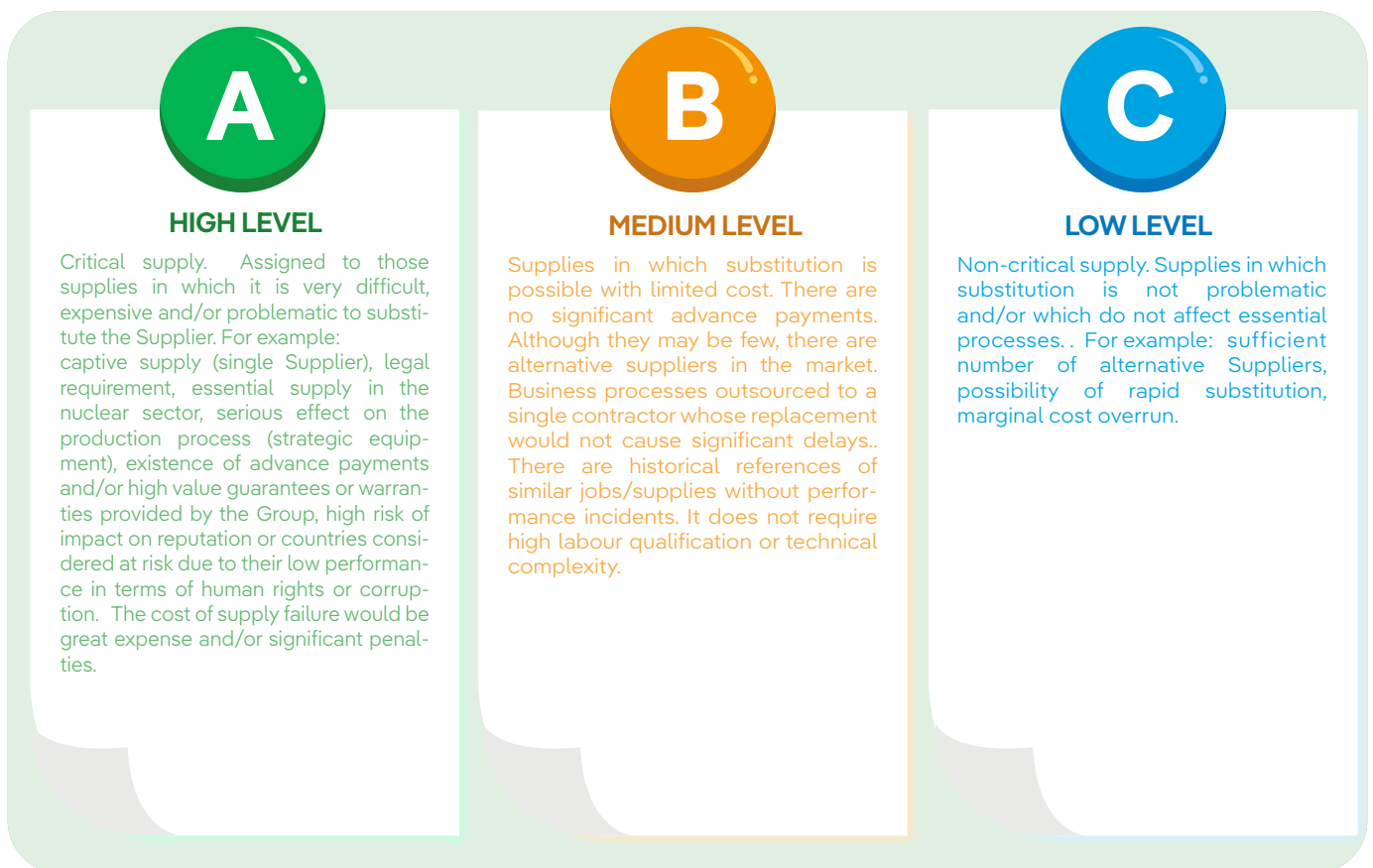
Supplier's credit analysis

7. Suppliers' credit analysis

As indicated in the section dedicated to the [Purchasing policy](#), the monitoring of Suppliers' credit risk, among other risks, is established.

Criticality of the supply

The [Purchasing policy](#) determines but not limited to the following 3 levels of criticality of supply as a general guide:



Criticality of supply is one of the considerations to be taken into account when planning a tender process and in the selection of suppliers to be invited. This classification and other criteria will define the credit risk mitigation measures.

Credit Risk

In order to prevent any potential negative consequences for Iberdrola of a supplier's failure to honour the commitments they have undertaken, the Procurement Division has a credit risk management system for the Group's main suppliers.

In application of this system, the Group's main potential and current suppliers are assessed and classified according to their creditworthiness, their production capacity and their dependence on the Iberdrola Group.

The reports of credit rating companies as well as Finance company ratios obtained from the audited accounts of the supplier are taken into account in order to analyse their credit quality.

In addition to the supplier's own credit rating, the credit risk analysis includes the supplier's dependence on Iberdrola and the existing commitments that the supplier has ordered and pending delivery (capacity).

Suppliers that do not provide up-to-date financial information on our Provider Risk Management Platform (GOSUPPLY) are classified as HIGH Credit Risk Supplier.

If the estimated amount of the procurement exceeds a threshold set out in the [Purchasing Policy](#), the Risks Division reviews the credit quality of the supplier. This risk credit is considered when selecting the successful bidders for contracts and when assessing the options to safeguard the Group's position.

Depending on the level of credit risk of each supplier, as well as the nature of the tender (criticality of supply and amount), a set of mitigating measures are established in the contract. Said measures are negotiated with the supplier prior to the award.

The mitigating measures try to minimise the possibility of impact on the contract for the solvency of the supplier, as well as in the event that the supplier suffers an event that seriously affects its solvency, the supplier restores it or at least Iberdrola is minimally affected.

During 2023, successful bidders representing more than 95% of the total amount of purchases made were centrally assessed through the credit risk management systems.



08

08.

Dialogue with suppliers

8. Dialogue with suppliers

Iberdrola has a responsible and sustainable business model, which places the group's stakeholders at the centre of its strategy. As part of this, the company aims to build trust-based relationships with its different stakeholders, as well as to deepen their participation, involvement and sense of belonging to Iberdrola. Among the most relevant stakeholders are our suppliers with whom we engage on an ongoing basis.

STAKEHOLDERS	RELEVANT DIALOGUE AND COMMUNICATION CHANNELS
Suppliers	<ul style="list-style-type: none"> • Supplier portal at www.iberdrola.com/proveedores
	<ul style="list-style-type: none"> • Supplier Service Centre
	<ul style="list-style-type: none"> • Satisfaction survey
	<ul style="list-style-type: none"> • Supplier of the Year Awards
	<ul style="list-style-type: none"> • Supplier registration, assessment and classification platform
	<ul style="list-style-type: none"> • IBuy tender management platform
	<ul style="list-style-type: none"> • Supplier drive campaigns, improvement plans and remediation plans
	<ul style="list-style-type: none"> • Participation in events
	<ul style="list-style-type: none"> • Suppliers' ethics mailbox
	<ul style="list-style-type: none"> • Social and Sustainability Audits

The model that Iberdrola has been developing and improving to manage its relationships with suppliers, as well as the broad range of channels for dialogue and communication for these groups, are summarised in the above table.

Supplier survey

7th edition Supplier Survey

Iberdrola is concerned about knowing the satisfaction and expectations of its stakeholders, amongst which supply companies play a prominent role. An important part of this is the Supplier Satisfaction Survey, which is carried out every two years and provides information on suppliers' expectations and perceptions of the purchasing process and the Company.

Based on the supplier's opinion, the possibility of including new on-going improvement measures in the Iberdrola group's Procurement Division is assessed.

The last survey was carried out in July 2022 (8th edition), with a global satisfaction level of 8.36 (out of 10), in line with the result in 2020, improving the result of previous editions.



Results of the supplier satisfaction surveys

For this initiative, there Action, target result, since the survey is to collect the opinion of suppliers to then use it as a source for improvements. It is indeed intended to attain a high participation rate from suppliers of around 40% (42 % 2022, 41.8% in 2020 and 43.1% in 2018) and a high level of response (more than 2,000 responses in 2022).

In general, suppliers rated Iberdrola's ethics and reputation, the brand and the trust it inspires very positively. Our suppliers also said that working with the Group helps to preserve jobs, promotes on-going improvement of their processes and investment in R&D.

On the other hand, suppliers also pointed out opportunities for improvement, such as increasing feedback on the outcome of the tender processes in which they have participated and weighting price over other differential factors in their value proposals.

In this edition, the survey is used to launch a campaign to collect data and raise awareness among suppliers to learn about their level of commitment to the UN's **Sustainable Development Goals (SDG)**:

In 2022, the most relevant SDG for suppliers was SDG 7 “Affordable and Clean Energy”, followed by SDG 8 “Decent work and economic growth”, SDG 9: “industry, innovation and infrastructure”, SDG 3 “Health and well-being” and SDG 13 “Climate action”.

01.

SDG 7 "Ensure access to affordable, reliable, sustainable and modern energy for all"



12%

02.

SDG 8 "Decent work and economic growth"



11%

03.

SDG 9 "Ensure healthy lives and promote well-being for all at all ages"



11%

04.

SDG 3 "Good health and well-being"



11%

05.

SDG 13 "Climate action"



10%

06.

SDG 5 "Gender Equality"



9%

629 suppliers have submitted alliance opportunities among Iberdrola to speed up compliance with the **20230 Agenda**.

9th Supplier Survey

The 9th edition of the satisfaction survey, in 2024, is being carried out at the same time this report is issued. The survey has been sent to a representative sample of suppliers in the Group and it is hoped that it will be possible to exploit the results and take the appropriate measures based on them. As soon as the executive report of this edition is available, it will be advertised and disseminated through communication channels with suppliers.

Main benefits for suppliers

Actions of this sort being developed by the Procurement Division to foster social, ethical, economic and environmental progress in our suppliers have generated progressive convergence of suppliers and supplies toward the sustainability parameters required by the company; this is causing a multiplier effect throughout the supply chain, as what is being requested from top-level suppliers today will gradually spread to the entire supply chain.

Given its high annual procurement volumes, the Iberdrola group acts as an economic driving force in the geographical areas where it is present, driving its supply chain through:

- Creating an integral, ethical and transparent business model that favours the development of these values and commitments in the market in which it operates
- Encouraging internationalization
- Injecting liquidity into suppliers
- Providing highly qualified employment
- Driving investments in R&D
- Rewarding the supplier's contribution to the Company's strategic objectives

Among other things, Iberdrola has contributed to ensuring that supplier companies that were initially only local, had no management systems, or were focused on a single activity, etc., were able to access new markets and clients, become involved in R&D projects and become more competitive by developing an international presence, allowing them to become, on their own, leading firms in their own sectors, such as renewable energies, industrial facility maintenance, power facility construction, global services, etc.

However, in addition to purely economic wealth, from a sustainable and responsible perspective we act as a powerful driver in the market, encouraging suppliers to improve their environmental, ethical and social profile through activities that promote excellence in management.

In their responses to the 2022 satisfaction survey, the suppliers highlighted the following (in order of rating) as the most positive aspects of working with Iberdrola:

- It helps to maintain jobs
- It promotes the continuous improvement of my processes
- It encourages investment in R&D
- It helps them to win new customers
- It encourages them to internationalise





09.

Supplier diversity programme

9. Supplier diversity programme

Supplier Diversity Program

The group is committed to creating a diverse, equal and inclusive staff. This commitment also extends to our supply chain, for example through the “**Supplier Diversity Program**” programme, of our subsidiary AVANGRID in the United States, with which actions are reinforced to ensure equal access to purchasing opportunities for all suppliers, including opportunities for suppliers from diverse backgrounds.

These actions are designed to foster inclusive supplier engagement that promotes economic development and reflects the increasingly diverse business communities that can support our work and growth.

We define supplier diversity as proactively sourcing goods and services from US-based companies that are at least 51% owned and controlled by a US citizen who is:



The volume contracted during 2023 to these groups is around €284 million, an increase of more than 60% compared to the previous year

This programme aims to increase the annual amount awarded to “diverse” suppliers by 2025 to exceed \$300 millions. As we work to achieve our supplier diversity and sustainability goals, we recognise that these commitments create long-term value for both our suppliers and our company, including creating better business solutions, increasing customer loyalty and satisfaction, and positively impacting the community.

Suppliers Diversity Summit

As a novelty, AVANGRID hosted, at its headquarters in Orange, Connecticut, as part of the company's Diversity Week 2023, the **"Supplier Diversity Summit"**. The event proactively connected suppliers with Avangrid contacts and increased the overall visibility of Avangrid's Supplier Diversity Program as the company progresses to increase its expenditure on supplier diversity. During the summit, Avangrid welcomed 60 companies and 50 representatives of different stakeholders from relevant business areas.

"This event was an excellent opportunity to celebrate our commitment to Diversity, Equity and Inclusion" stated Pedro Azagra, CEO of Avangrid ". As a member of the Iberdrola group, we are already a naturally diverse company made up of people with different backgrounds, stories and ideas. This makes us stronger. Our Supplier Diversity Program ensures that we are building strong partnerships with diverse partners to strengthen our supply chain and guarantee that it truly reflects our customers and the communities we serve."

Diversity, Equity and Inclusion (DEI) Week in Mexico

Diversity, Equity and Inclusion (DEI) Week 2023

Iberdrola Mexico starred in the 2nd Week of Diversity, Equity and Inclusion (DEI), where different people from the company, together with external participants, attended conferences, participated in workshops and shared stories, know-how and experiences with the aim of promoting an inclusive work environment and a fairer society.

In its 2nd edition, the event was attended by more 1,800 people (internal and external). Events around 5 themes were created: Diversity, Equality and Women, LGBTQI+ Community, People with disabilities and Generational Diversity. Also, the signing of the D&I goals for 2025 and the 5th Women with Energy Forum took place.

Highlight the holding of a specific workshop for suppliers where it was sought to promote the importance of Diversity and Inclusion policies and their practical implementation.

Diversity, Equity and Inclusion (DEI) Week 2024

In 2024, the 3rd Diversity, Equity and Inclusion Week (DEI) will be held, where the different areas of the company and experts in the subject will participate, with the aim of continuing to promote an inclusive work environment and a fairer society.

In this edition, some of our suppliers will also be invited to participate, in person, in order to continue having a more direct and effective approach, where they obtain the necessary information to adopt and/or adapt their own lines of action in their organisations.

For closing week, the workshop "Good Work Practices in Diversity and Inclusion" will be held specifically for suppliers, focused on presenting and sharing good practices on equity and equality matters as well as raising awareness on the importance of creating more inclusive work environments for everyone.

Special employment centres

On the other hand, in Spain, the Procurement Division, has been working over the last few years on incorporating Special Employment Centres into the network of regular suppliers. A total of €2.2 million was under contract with Special Employment Centres in Spain in 2023 (to provide help for and work with disabled people).

Therefore, having a varied base of suppliers benefits the businesses and our Company. It allows us to obtain the goods and services that we need while enabling small enterprises and minority owned companies to grow and prosper.

Promoting equality and diversity in the supply chain

Iberdrola carries out an internal assessment of its main suppliers, based on environmental and social, as well as business and logistical, criteria. Among the aspects assessed in terms of equality and diversity, the ones included in the survey of the Supplier Sustainability Assessment Model stand out:

- Percentage of women hired
- The company has a policy to promote equality and diversity?
- The company promotes and develops measures to encourage the work-life balance of its workers that goes beyond legally-required measures?
- It calculates the salary gap index between men and women?
- It actively promotes the inclusion of people with disabilities?

On the other hand, and with the intention of recognising the efforts made by some of our suppliers in this area, the Iberdrola group publicly acknowledges those suppliers through the Diversity and Equality category of the Supplier of the Year Award.

In the 2023 Supplier of the Year Award, the Diversity and Equality award was presented to the American company WECS Renewables, for being a Woman-owned company, a government name category that recognises that at least 51% of the company is managed and controlled by women, and for contributing to the goal of Iberdrola's subsidiary in the country, Supply Chain Diversity, a program that increases purchases from suppliers that are formed by diverse groups. WECS is a supplier of spare parts and maintenance for Avangrid's wind business.





10

10.

Innovation programmes and support to recently created companies

10. Innovation programmes and support to recently created companies

Research, Development and Innovation (R+D&i)

Innovation is a strategic variable for the Iberdrola group and the main tool to guarantee the company's sustainability, efficiency and competitiveness.

Iberdrola deploys more than 15 years ago an innovative strategy both for management and technology, which has made Iberdrola a global leader and benchmark company in the area of Research, Development and Innovation (R&D&I):

As a result of a strategy of anticipation, which transcends all the business units of the company and all its geographical areas, Iberdrola is today the private utility that invests the most in R&D around the world¹⁰.

Our R&D&I efforts are aligned with the driving forces of the transformation of the energy sector, decarbonisation and electrification of the economy and are organised around five big axis:

- New products and services which respond to customer needs with more personalisation of content and offerings.
- Disruptive technologies which are becoming increasingly efficient, sustainable and respectful to the environment, optimising the functioning of facilities and processes, and of products and services that are more innovative and
- Digitisation and automation in all businesses and processes to create value in the asset management life cycle, the optimisation and aggregation of the grid, and the design of integrated services for the new digital customer profile. The digital transformation will be based on new technologies, such as blockchain, Big Data, IoT, Virtual Reality, Artificial Intelligence, etc., at all levels of the Group.
- Innovation with start-ups, entrepreneurs and suppliers. We are pioneers in promoting innovation with start-ups, entrepreneurs and suppliers with the aim of developing new disruptive business models, promoting the exchange of knowledge and acting as a driving force among our partners.
- A culture of innovation and talent by transferring knowledge, attracting talent and promoting an entrepreneurial spirit.

Supplier Innovation Programme

Iberdrola runs a Supplier Innovation Programme to promote and accelerate the development of new products and services that provide solutions for the Company's future needs while responding to the challenges facing the sector.

The programme has three central concepts:

- To help suppliers access financing mechanisms
- To promote joint ventures (supplier spin-offs) through the Perseo fund
- Innovative purchasing of the products or services developed

¹⁰ According to the [The 2023 Industrial R&D Investment Scoreboard](#) report from the European Commission.

Support to entrepreneurs and recently created companies

In 2023 the Iberdrola group has been supporting the creation and consolidation of new business projects with a range of significant initiatives, with the following being of particular note:

- €90million in purchases made in Spain during 2023 from companies less than 5 years old, which represents a clear support for entrepreneurship. Total purchases, in the Group as a whole, from companies less than 5 years old is €518 million.
- Iberdrola's venture capital programme, Iberdrola [PERSEO](https://www.iberdrola.com/innovacion/programa-internacional-startups-perseo), which has invested more than €125 million worldwide since its creation, represents an opportunity for companies dedicated to innovative technologies and business models that ensure the sustainability of the energy model. More information at <https://www.iberdrola.com/innovacion/programa-internacional-startups-perseo>
- Through PERSEO, Iberdrola offers start-ups investment support and its experience and ability to access the market. The current investment portfolio covers a wide and diversified range of projects under the Perseo umbrella, in addition to other financing programs. In 2023, the following key events stand out:
 - **Pilot projects:** Throughout 2023, 22 pilot projects were carried out with start-ups in technology areas such as Internet of the Things and artificial intelligence, mainly focused on the areas of inspection and maintenance of network and renewable assets, as well as devices to improve services to customers. An example has been the collaboration with the start-up Enline Transmission, a company that has developed software tools for the design and optimisation of electricity transmission and distribution networks.
 - **Challenges:** During 2023, Iberdrola launched 6 challenges for the start-up community in areas such as the fair transition or the improvement in the monitoring and maintenance of electricity networks.
 - **Investment:** It is worth noting the growth of the Venture Capital Fund called Seaya Andrómeda Sustainable Tech Fund I FCR, which this year has reached Euros 300 million, in conjunction with other investors to invest in European technological scale-ups related to sustainability, energy transition and electrification of the economy. On the other hand, mention should be made to the investment in Kyoto Group as a key element to favour the generation of green heat for industrial customers. In addition, a new investment was made in GED Tech Seed, a Venture Capital Fund for seed phases in Portugal, which has reached Euros 100 million, with the aim of investing in start-ups with high R&D+i in different industries.
 - **Venture Builder:** Perseo has continued the initiative launched in 2020 to invest and create businesses from scratch to support electrification and the circular economy — in areas such as the recycling of photovoltaic modules, blades and batteries and in sectors that are difficult to decarbonise, such as industrial heat production and heavy transport. Through this initiative the following companies have launched in 2023:
 - **Carbon2Nature** whose purpose is to capture and fix in nature more than 60 million tons of CO₂ through conservation, management and restoration projects with high environmental and social impact. This project, in addition to becoming a tool that allows our customers and suppliers to access high quality carbon credits, stems from the belief that investing in nature is an essential lever for creating sustainable value, with profitability.
 - **Exiom Solar Ibérica** becoming the first large plant manufacturing photovoltaic panels in Spain and one of the first industrial scale in Europe. Located in the municipality of Langreo, Asturias, this facility has an investment of Euros 20 million to promote industrialisation associated with the energy transition, in addition to contributing to the economic revival of the mining basins by creating 115 jobs.

PERSEO: Iberdrola's start-up programme

Iberdrola's start-up program, PERSEO, aims to facilitate the Group's access to the technologies of the future while encouraging the development of a global ecosystem of start-ups in the electricity sector with a focus on sustainability. Iberdrola has Euros 200 million for this purpose, invested through its portfolio of investments in emerging companies.

PERSEO's mission is to generate added value to the company through the application of innovation in the business and is divided into four complementary goals: Early identification of key trends, fostering entrepreneurial culture, supporting disruptive business models and boosting economic revitalisation. In turn, the programme is applied transversally in six strategic sectors for Iberdrola.

Since its inception, the program has invested more than Euros 200 million in supporting open innovation and creating synergies with start-ups that develop innovative technologies and business models, focusing on those that allow to improve the sustainability of the energy sector through greater electrification and decarbonisation of the economy.

Keys



125 M€ invested in startups

8 companies in our
portfolio



Challenges

Open Innovation Tool

10 challenges launched annually

+ 500 proposals received each year



Venture Builder program

For creating and investing
in companies



+7.500 start-ups in our ecosystem

Increasing at a rate of
300 per year



Pilot projects

Access to technology
in real cases

+25 real pilot projects per year



Major funds supporting innovation

Andromeda SustainableTech Fund

€300 M to invest in scale-ups for
the energy transition

GED TECH Seed Fund

€100 M to invest in technology
projects with a focus on
sustainability

During 2023, we have further strengthened our commitment to innovation as a key strategic cross-cutting issue in all our businesses and activities: allocating more than €385 million to cutting-edge initiatives that promote electrification, which has led us to once again be considered by the European Commission as the "private utility that invests the most in this concept in the world."

In the coming years, in line with the company's current investment plan, we plan to invest €2 billion in innovative initiatives by 2025 and €4 billion by 2030, doubling our R&D&I efforts by the end of the decade.

11.

Support to SME suppliers

11. Programmes to support SMEs

Iberdrola joins the 2nd edition of the “Sustainable Suppliers” Training Programme to further promote the sustainability of its suppliers

In 2023 Iberdrola strengthened its collaboration with the UN Global Compact Spain organisation to take a further global step in its drive for sustainability among its suppliers.

The “Sustainable Suppliers” training programme is promoted by the United Nations Global Compact in Spain together with the ICO Foundation and ICEX Spain Export and Investment, with Iberdrola and 16 other large Spanish companies, partners of the UN Global Compact Spain, participating as promoters. It is a global initiative to promote sustainability training for SME suppliers in the five continents.

For five months, the supplier SMEs benefiting from the programme (more than 220 that have joined Iberdrola) were able to access, free of charge, online courses, including live recorded sessions, and download support material such as practical guides, templates for the preparation of policies and codes and case studies of other companies.

This programme included four modules on general issues regarding Sustainability, the Sustainable Development Goals (SDGs) and the topics in four blocks of the Global Compact Principles and the internationalisation of the company, incentives and reporting of non-financial information.

SMEs received a certificate of participation and compliance once they had completed all the modules in the programme.

The “Sustainable Suppliers” training programme in its first edition has involved more than 2,000 SME suppliers from 38 countries with a total workforce of 140,000 employees.

In this second edition launched in March in 2024, Iberdrola collaborates again and has managed to ensure that a total of 495 suppliers of the Iberdrola group SMEs register to be able to access the program.



Iberdrola listens to SMEs at the event “+ SUSTAINABLE SMEs: Incentives”

On 23 May 2023, the Iberdrola Campus in San Agustín de Guadalix hosted the conference "SMEs + SUSTAINABLE: INCENTIVES", in which more than 25 small and medium-sized Spanish companies and suppliers of the Group participated.

The conference, which was organised together with the UN Global Compact Spain and Accenture, was attended by more than 50 participants. They were able to share their own experiences and results following the efforts made to improve the profile of their organisations as drivers of Sustainable Development.

The main goals of the conference were to identify the barriers encountered by the SMEs in attendance in their task of implementing certain ESG improvement lines of action requested by Iberdrola and, in turn, the possible incentives that could be made available to SMEs by customers such as Iberdrola or third parties, such as public administrations and sectoral or business associations, to help them meet this requirement. A preliminary analysis of the feasibility of implementing these incentives was also carried out.

Two "co-creation" sessions were held, which were facilitated by Accenture and UN Global Compact Spain, with extensive experience in this type of initiative and using the "design thinking" methodology, the participants shared their experiences and proposals for improving the process, which were assessed and prioritised by the participants themselves, taking into account the impact and feasibility of implementation.

After the working sessions, the attendees were able to take a guided tour of the main R&D&I classrooms and workshops available at Iberdrola's Innovation and Training Campus, where nearly 13,000 people receive training in its classrooms every year. Iberdrola's Innovation and Training Campus represents the Group's commitment to technology, R&D, and collaboration with technology centres as levers to lead energy transition, the green recovery of the economy, and the employment and employability of young and senior professionals in sectors of the future.

The assessment of the initiative by the attendees themselves obtained a very high rating, which once again highlights the importance of intensifying collaboration with our supply chain and of redoubling efforts to further develop suppliers at local level for strategic procurements, especially aimed at SMEs. This will help to further contribute to the creation of indirect and induced jobs and the maintenance of a strong industrial fabric in the geographies where the Group operates.



**The initiative
was very
highly rated
by the
participants
themselves.**

1. ADMINISTRACIÓN ORGANIZACIÓN Y CONTROL DE PROYECTOS, S.L.
2. AIRBOX, S.A.
3. COPSA EMPRESA CONSTRUCTORA, S.A.
4. ECOS ESTUDIOS AMBIENTALES Y OCEANOGRAFIA, S.L.
5. FLULLE INSTALACIONES SL
6. GRUPO DE ARQUITECTURA Y OBRA CIVIL
7. HEMAG, S.A.
8. HEREDEROS DE IGNACIO DE LA IGLESIA, S.L.
9. HIDRAULICA CONSTRUCCION Y CONSERVACION, S.A.
10. IBERIAN SUSTAINABLE ENERGIES GROUP, S.L.
11. IBERICA DE APARELLAJES S.L.
12. IBERLOZ ALBACETE, S.L.
13. INGENIERIA DE INSTRUMENTACION Y CONTROL, S.A.
14. INGENIERIA Y DISEÑO ESTRUCTURAL AVANZADO, S.L.
15. INTEGRAL MANAGEMENT FUTURE RENEWABLES, S.L.

16. INVENERGY SERVICES HUSO, S.L.U.
17. INVESTIGACION Y CONTROL DE CALIDAD, S.A.U.
18. JAINSER, S.L.
19. MECANIZADOS OLIVERA, S.L.
20. METALURGICA B B, S.L.
21. RECTICUR, S.L.
22. SEYP INGENIERIA, S.L.P.
23. TALLERES ELECTROMECHANICOS L PINAZO, S.A.
24. TECHNICAL SERVICES WIND, S.L.U.
25. TECNICAS DE SOFT, S.A.
26. TENSA, S.A.
27. VALDECONSA SL
28. VELAMAR ELECTRICIDAD S.L.
29. WAKE UP SOSTENIBILIDAD, S.L.

+ SUSTAINABLE SMEs programmes Incentives”

With the aim of meeting the conclusions of this conference and creating specific incentives according to the issues identified as priorities, Iberdrola has designed several programs to help SMEs improve their Sustainability performance.

In May 2004, the suppliers participating in this initiative received a proposal from Iberdrola to join three new specific incentive programs, summarised in:

- Training program “Sustainability for CEOs and Managers”:

The UN Global Compact in Spain has created a pioneering training with exclusive content on sustainability and incentives for managers of our SME suppliers.

This is an online training distributed in 6 modules. After the program, participants will be invited to a face-to-face day event at the Iberdrola Campus in autumn.

- Support and incentive program for decarbonisation:

Iberdrola offers a personalised support program for these suppliers in terms of emission reduction and sustainability.

Following a stage where energy consumption was analysed, the company’s carbon footprint and a personalised plan of efficiency and decarbonisation will be calculated.

Participating suppliers will also be able to fully monitor the plan and manage their emissions reduction through our digital platform “Net Zero Emission”.

This program also includes the possibility of receiving a proposal with exclusive economic advantages in Iberdrola products and services, to reduce the cost associated with its energy consumption.

In turn, they will also receive advice and manage subsidies applications linked to new investments in energy efficiency, through the Iberdrola Subsidies Portal.

The programme includes:

- Free access to the Net Zero Emissions Manager emission reduction management platform, for 1 year, with expert support. With this, they may:
 - Calculate the carbon footprint of their company.

- Obtain an energy diagnosis of their installation.
- Obtain and manage their Decarbonisation Plan.
- Personalised advice and cross-sectional support: Onboarding process, energy diagnosis and decarbonisation plan generation.
- Personalised service and preferential conditions with discounts in the contracting of the electricity supply and Smart decarbonisation solutions for the company, as well as for the management of subsidies applications through the Iberdrola Subsidies Portal.
- Sustainable Confirming Programme with BBVA:

If the supplier is assessed as a Sustainable Supplier based on the Sustainability Assessment model of the Iberdrola Group, they will be eligible for a new financing line, BBVA Sustainable Confirming, and get better discounting conditions on your Iberdrola invoices.

In addition, by belonging to this Sustainable Confirming program, the supplier will be able to access the negotiated terms of a collaboration agreement with BBVA, with the possibility of contracting long-term financing, as well as other financial solutions in advantageous conditions subject to your assessment level as a Sustainable Supplier for the Iberdrola Group.

ScottishPower collaborates with Climate Action Hub to help Scottish SMEs develop their decarbonisation plans

ScottishPower collaborates since 2023 in promoting among their SMEs the Climate Action Hub developed by the business group Scottish Business Climate Collaboration (SBCC) and financed by the Scottish government.

This online training platform is free for businesses and offers resources for Scottish SMEs to improve their knowledge and cope with climate risks.

The contents of the platform have been developed by the entity specialised in environmental management, Zero Waste Scotland, and the purpose of this project is to provide the necessary support so that SMEs can develop decarbonisation plans and contribute to the country's zero net emissions target.

With the aim of continuing to promote these efforts, the company has joined other organisations in the creation of the Climate Action Centre, created as a virtual learning environment that also provides carbon footprint measurement tools.

The Hub has a wide range of resources, including:

- 12 modules on topics ranging from basic climate science to carbon emissions related to business practices.
- Free access to a dashboard to track carbon literacy across the organisation.
- Tools to calculate a carbon emissions baseline and develop a carbon reduction plan.
- The Climate Action Centre aims to support not only significant emissions reductions but also cost savings for businesses.

Through these resources, ScottishPower's small and medium-sized companies have new tools that will help them play a full and active role in the energy transition. In this regard, it makes it easier for them to identify and develop their own plans to reduce their carbon footprint and to develop their own sustainability strategies.



Why Net Zero?

- The Basics of Climate Change
- Business Opportunities from Carbon Reduction
- Why Carbon is Important



Understanding Your Carbon

- Sources of carbon in your business
- Upstream carbon
- Downstream carbon
- How to measure your carbon
- Calculating your carbon footprint



How to Implement

- Setting your targets
- Taking action to reduce your carbon
- Communicating your carbon actions
- Where to go for help

The Climate Action HUB is available on <https://sbcc.group/>

Neoenergia participates in the project “Anchoring sustainable value chains in Brazil”

The project “Anclando de Cadenas de Valor Sostenibles en Brasil (Anchoring Sustainable Value Chains in Brazil)” aims to support the transition to a circular, low-carbon economy, based on the strengthening of sustainability management in small and medium-sized enterprises included in the value chains of two of the country's large companies: Neoenergia and Vivo (Telefónica Brasil).



*The AL-INVEST Verde program was designed to direct EU investments to support the creation of partnerships with the private sector in Latin America. Its overall goal is to promote sustainable growth and job creation, supporting the transition to a circular, low-carbon and efficient economy in Latin America.

In order to address the difficulties faced by SMEs in incorporating sustainability practices, such as attracting skilled staff and updating technological know-how, the members of the consortium will carry out a training process for SME participants through five cycles of workshops, providing technical information and tools for managing resource efficiency, reducing carbon emissions, and providing technical information. ESG standards and circular economy.

In this regard, Anclando cadenas de valor sostenibles aims at:

- Promote circular economy and sustainable practices among Brazilian anchor companies and SMEs within their supply chain in Brazil.
- Establish sustainability and circular economy practices as a competitive advantage for participating SMEs.

To this end, the project will develop a supporting methodology to promote sustainable practices, circular economy and new production models which are more efficient in the use of resources in the two supply chains of the project: telecommunications and energy. This methodology will include specific information and personalised advice.

The initiative is part of the AL-INVEST Verde program, funded by the European Union, and is carried out by the EAESP FGV Sustainability Studies Center in collaboration with the Spanish Chamber of Commerce and the Official Spanish Chamber of Commerce in Brazil.



Iberdrola Mexico supports SMEs to obtain the ESR badge.

The ESR (Socially Responsible Company) distinction, awarded by CEMEFI (Centro Mexicano de la Filantropía), recognises companies that implement a culture of responsible competitiveness, contribute to the social, economic and environmental sustainability of the company and its stakeholders, respect human rights, fight corruption, and promote social, economic and environmental sustainability, support social causes and spread a new socially responsible business culture to inspire more businesses.

Therefore, at Iberdrola Mexico, it has been decided to accompany its suppliers in the process of obtaining this distinction. This collaboration aims to promote sustained, inclusive and sustainable economic growth, productive employment and decent work for all professionals who are part of the Group's value chain.

Obtaining the ESR distinction is based on a self-diagnosis process, documented by the participating company and verified by Cemefi. Iberdrola Mexico accompanies its suppliers through "Responsable", a specialised consulting firm that brings their knowledge and experience, so that through training in CSR issues, ESR distinction and matrices and indicators, they give them the opportunity to meet the necessary requirements to submit their application.

This support process takes place over a period of 5 weeks, where the participating companies, in addition to confirming their participation in obtaining the ESR distinction, increase their knowledge in sustainability issues, manage to start developing various actions related to ESG, that allow them to improve progressively.

In 2024 Iberdrola Mexico provided this support to three companies belonging to its value chain: GASI NATIONAL WELDING, BALANCEMED and LAVORATI. As a result of this support, all companies have managed to complete the first level, which refers to being aware of where they are today and the actions to follow in the coming years.

Workshops with Mexican suppliers in 2024

Iberdrola Mexico continues to deploy specific lines of action to transfer the Iberdrola group's sustainability criteria to its suppliers. In this regard, one of the opportunities for improvement detected for SMEs in 2024, was the need to disseminate knowledge about the importance of having a Corporate Social Responsibility (CSR) policy.

Subsequently, in collaboration with the Corporate Social Responsibility area of Iberdrola Mexico, an online workshop will be held in the second half of 2024, with the aim of raising awareness among companies that are part of our value chain, reminding of the importance of ESG pillars and their integration into the operations and business strategy, specifically contributing to the development of its Corporate Social Responsibility Policy.

Other initiatives to collaborate with SMEs

Iberdrola Mexico, through the collaboration with the Carbon Trust, delivered an online course in two sessions held in early June in which 50 SMEs were able to improve their technical knowledge of corporate carbon footprinting, as well as the benefits of verification and climate targets through the following main topics:

- Climate science and the private sector
- Corporate carbon footprinting with practical session
- Benefits of ISO14064 verification

In turn, the Group's decarbonisation and environmental targets set for the short and medium term were shared with attendees, as well as the importance of the support needed from the supply chain.



12

12.

**Supplier of the
Year Award**

12. Supplier of the Year Awards

Awards for Global Supplier of the year 2023 Allies for green industrialisation

Iberdrola held in Madrid, last 16 November 2023, together with around 100 international business leaders, the Global Supplier of the Year Awards.



In this edition, the awards went to six companies that stand out for their commitment to innovation, equality, quality, sustainability and job creation, thus contributing to a decarbonised economy through investments in renewable energy, smart distribution networks, and more large-scale storage projects and innovative solutions for their customers.

Iberdrola thus reinforces its strategy of developing local suppliers for its strategic contracts, generating direct, indirect and induced jobs and maintaining a solid industrial presence in the geographical areas where it operates, with a total of around 500,000 jobs generated by the Group's purchases in 2023.

Ignacio Galán, the Chairman of Iberdrola, declared that "These awards are not only about economic efficiency or agile operations but also about contributing to a greener, fairer and more sustainable economic model that creates opportunities for all. We are a value-driven company that wants companies that share our vision by our side". Galán also encouraged the attendees, whom he called "allies for green industrialisation", to continue collaborating with the company to generate tangible global value, stressing that they are just at the beginning of a real revolution that will ensure energy autonomy and decarbonisation.

Winners from previous editions

For decades, Iberdrola has been recognising the effort of its suppliers, both in global awards and in local awards in the main five countries where it operates (Spain, United States, United Kingdom, Brazil and Mexico). The goal of Iberdrola's supplier awards is to promote, recognise and provide an incentive for excellence, sustainable development, quality, internationalisation, innovation, corporate social responsibility, job creation and occupational risk prevention.

Our businesses in the different countries, as well as our corporate units (Environment, Quality, Innovation, Prevention, Sustainability, etc.) and the Procurement unit select every year those supplies that have particularly stood out in the performance of their contracts.



13

13.

Awards

13. Awards

ISO 20400:2017 Certificate Sustainable Procurement Strategy

Iberdrola became in 2022 the first private company to be awarded the Sustainable Procurement Strategy Certificate by AENOR, based on the international standard ISO 20400:2017.

Last November 2023, after successfully passing the first monitoring audit carried out in September, AENOR validated maintaining the certificate after verifying the implementation of the system with respect to the requirements specified in said reference. According to the standard, sustainable purchases are those "that have the greatest possible positive environmental, social and economic impact throughout the life cycle of the service or product". This certification defines how sustainability considerations should be integrated into existing procurement processes, promoting a procurement strategy that includes sustainability as a core value in decision-making.

Iberdrola, by obtaining and maintaining this certificate, highlights the efforts made in the development of a supply chain focused on sustainability, favouring a "back and forth" interaction with Iberdrola's suppliers and internal stakeholders in a continuous, transparent manner. In addition, thanks to the digital tools implemented, the management of procurement processes, risk management and compliance with the company's governance guidelines are facilitated, making it possible to be more ambitious in the inclusion of these criteria in the decision-making process.

This recognition confirms the commitment of the Group's management, which was reflected in the 2023-2025 strategic goal in which it established that 85 % of the main collaborating companies should be subject to sustainable development policies and standards by the end of 2025.

Iberdrola has a supplier assessment model based on environmental, social and governance (ESG) criteria. Iberdrola thus takes into account 43 factors to calculate the ESG score of each of its suppliers, including compliance with human rights, management of risks derived from climate change, circular economy strategy, and contribution to the United Nations Sustainable Development Goals (SDGs).

Iberdrola also drives sustainability throughout the supply chain, proposing customised improvement plans to those suppliers that do not meet the appropriate sustainability levels, for a long-term relationship.

The Iberdrola group's achievement of this important certification is part of its global commitment to quality, which involves the excellent management of all processes and resources as an essential lever for creating value for people, shareholders, customers, employees, suppliers and other stakeholders in society.

CDP 2023

Iberdrola has been included for yet another year in the *Supplier Engagement Leaderboard*, prepared by CDP, a well-renowned organisation that has been working for more than twenty years on the transparency and performance of the climate practices of the different actors, with the climate action of its entire value chain being recognised.

The company has remained in the most prestigious index of climate change in the world, the CDP, with the highest score. According to data reported by CDP, the company is one of a small number of companies that have achieved an “A” rating, among more than 21,000 companies analysed.

CDP has singled out Iberdrola for its work in engaging its suppliers on climate change, its efforts to measure and reduce this risk in its supply chain and its commitment to fighting climate change.

CDP uses a detailed and independent methodology to assess companies, assigning a score from A to D- based on the completeness of environmental risk disclosure, knowledge and management and demonstration of best practices associated with environmental leadership, such as setting ambitious and meaningful targets.

Fully aligned with the Task Force on Climate-related Financial Disclosure (TCFD) CDP has the world's largest environmental database, whose scores are used to drive investment and acquisition decisions toward a sustainable, resilient and zero carbon economy.

In 2023, more than 740 financial institutions with more than 136 trillion dollars in assets asked companies to disclose data on environmental impacts, risks and opportunities through the CDP platform, achieving a record-breaking participation with more than 24,000 companies.

DJSI 2023

DJSI Iberdrola has once again been included in the Dow Jones Sustainability Index (DJSI), making it the only European utility to have been included in the selection in all 24 editions.

This is evidenced by the annual update, in December 2023, published by S&P Dow Jones Indices. S&P Dow Jones Indices is a division of S&P Global, which provides essential data for investors, businesses and governments to confidently make decisions.

This selection demonstrates the Group's firm commitment to the highest environmental, social and corporate governance standards, given that, from an initial universe of some 14,000, only 10% of the listed companies with the best sustainability scores are finally selected.

In this edition, the company once again proved its leaderships in relevant matters such as innovation, stakeholder relations, market opportunities, risk management, and human rights.

Section Supply Chain

In the Supply Chain Management section, Iberdrola obtained a score of 70 points in the 2023 edition, which is a setback compared to the 98 points obtained in 2022.

Following an internal analysis to identify the causes of the decrease in the score obtained, it is concluded that this result is based on the changes made in this edition in the criteria and assessment mechanisms and the level of detail of the information required.

Whereas in 2022 the highest score has been attained in four of the six assessment sections: “Supplier Code of ethics”, “Critical Supplier identification”, “Supplier Risk Management Measures” and “ESG integration in SCM strategy”, in this edition include new section and required a greater level of detail for the indicators to be reported. This resulted in the loss of scores in sections such as Suppliers’ Code of ethics and the non-obtaining of high scores in the new sections of “KPIs for Supplier Screening” and “KPIs for Supplier Assessment and Development” mainly because the values of the indicators of the Program of sustainability management of suppliers were not published.

In the pursuit of continuous improvement to attain excellence this increase in the level of demand in the assessment constitutes a new opportunity to improve the processes in the management and promotion of sustainability in the supply chain of the Iberdrola Group so the result of the 2023 edition has motivated the implementation of different improvement plans in order to contribute to achieving excellent assessment levels in future editions.

Ecovadis 2023

The certification company certifying companies in the field of sustainability EcoVadis has awarded the gold medal in sustainability to Iberdrola, thus maintaining the GOLD level for yet another year and placing it in the 3% of the companies with the best scores among the more than 130,000 companies analysed in 180 countries and 220 different sectors. EcoVadis assessed the policies, activities, measures and data of companies each year and scores them according to a methodology adapted to global frameworks and regulatory requirements, grouped under the environment, social and human rights, ethics and responsible procurement categories.



This distinction recognises that Iberdrola has transformed its business model to continue building, day after day and in a collaborative manner, a more electric, healthy and accessible energy model.

Scope 3.0 Awards “Best Practice in the Industry”

Iberdrola has received the award in the category of ‘Best Practice in the sector’ at the 3.0 Reach Awards, organised by CPOnet. This association is a social network that connects more than 20,000 professionals in the procurement sector.

This is the first edition of these awards that recognise the work of those companies that stand out for their high level of collaboration with their strategic suppliers to reduce greenhouse gas emissions.

The awards were presented at the Royal Tapestry Factory in Madrid and, among others, by the Minister of Industry and Tourism of Spain, Jordi Hereu and the President of the CEOE, Antonio Garamendi were in attendance. On behalf of Iberdrola, Ignacio Sanchez-Galán, Global Procurement and Services Director at Iberdrola, received the award.



Iberdrola, in its Climate Action Plan, has established an ambitious roadmap with the goal of achieving by 2030 neutrality for CO2 emissions equivalent of scopes 1 - direct emissions from the fuel consumption of a company or organisation - and 2 - indirect emissions from the energy purchased - and zero net emissions before 2040 for all scopes, including scope 3 - groups the rest of indirect emissions in the value chain.

14.

Priorities and short and medium-term and objectives

14. Priorities and short and medium-term priorities and objectives

Challenges overcome in 2023

- Having met the strategic goal Iberdrola group had set in 2023 to improve its Supply Chain Sustainability profile in the period 2020-2022, by achieving that more than 87% (>82%) of the main suppliers awarded qualify as sustainable suppliers. These suppliers are subject to sustainable development policies and standards and meet the established ESG criteria. Awards to these suppliers account for more than 90% of the annual amount awarded in 2023.
- The audit to maintain the the Sustainable Procurement Strategy Certificate granted by AENOR, based on ISO 20400:2017, has been successfully passed.
- Global campaign of social audits and sustainability to key suppliers done.
- Different traction actions to suppliers in sustainability carried, and those aimed at SMEs stand out.
- Global Supplier of the Year 2023 Awards held.
- New methodology to determine the countries of origin of key equipment defined and implement to have visibility of the supply chain and improve the assessment of the Local Purchase Indicator.

2024 goals and medium-term challenges

Iberdrola's procurement model is constantly being reviewed, based on continuous incremental improvements to adapt it to our service needs and ongoing pursuit of efficiency.

The market points to advanced management models supported by disruptive technological changes already available today, such as the application of artificial intelligence to increase efficiency in certain purchasing processes. In addition, our businesses and corporate areas and our internal clients move in increasingly competitive, changing, global, and efficient environments that require rapid responses, where technology and innovation will be the keys to success.

On the other hand, new challenges arise to be solved in the short and medium term, such as the new European regulations already approved related to human rights diligence and sustainability in the supply chain, such as the Sustainability Due Diligence Directive (CSDDD), the Regulation on the ban on products made with forced labour, or the increased sustainability reporting requirements, such as the Corporate Sustainability Reporting Directive (CSRD), which introduces more detailed due diligence requirements, among others, governance and risk management, targets and metrics and requiring more detailed information on ESG issues.

Among the goals that stand out for 2024 are:

- Meeting the Iberdrola group's strategic goal for the period 2023-2025, ensuring that more than 85% of the main suppliers awarded qualify as sustainable suppliers and are subject to sustainable development policies and standards.
- Deploying the Supplier Hub, a multi-year and cross-cutting project within Iberdrola, which aims to strengthen management capabilities and interaction with suppliers, simplifying the recruitment of new suppliers and obtaining a unique comprehensive view of the performance and risks inherent in the supply chain. It integrates several lines of action, such as the project to create a new Supplier Portal, a new single access point for the registration and exchange of information (orders, invoices...) and certification. Besides this project, two proofs of concept are planned: Supply chain mapping (Tier-n) and supplier search service (scouting). Following the proofs of concept in 2024, a decision will be made on the final systems to be deployed in 2025.
- 10th edition of the Supplier Satisfaction Survey.
- Implementing the new multi-year target to strengthen the human rights due diligence system in the supply chain. Therefore, it will define an action plan that will establish the actions to be undertaken in the year, as well as in the following years.
- Improving our suppliers' emission capture and decarbonisation targets to meet our ambitious commitment to be neutral in all our operations by 2040,
- Based on these emissions we will need to review their decarbonisation pathway and support our suppliers to achieve them.

In the management of suppliers and procurement activities, as well as continuing actions presented in this report, the main priorities and objectives in the short and medium terms are shown in the following images:



ALLIES FOR GREEN INDUSTRIALISATION

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15.

Annex

15. Annex: Detailed information for listed subsidiaries: Avangrid and Neoenergia

This report's content applies to all of Iberdrola's subsidiaries that use the same systems for purchasing and managing suppliers, although the Iberdrola group's subsidiaries that are listed in stock markets each have their own Procurement Policies, that are totally aligned with the Group's.

In this sense, this annex details some of the information provided in the report for the following two subsidiaries of which Iberdrola is the main shareholder:

- Avangrid: Listed on the New York Stock Exchange.
- Neoenergia: Trades in the B3 of São Paulo, and since 2022 in the Latibex stock exchange of Madrid.

Procurement Organization

The procurement organizations of Avangrid and Neoenergia and follow the same principles established for the Iberdrola group: focus on management by purchasing categories and grouped by Business.

PROCUREMENT STAFF DECEMBER 31ST 2023

Avangrid	56
Neoenergia	65

Purchasing Department Priorities

The Purchasing priorities of Avangrid and Neoenergia coincide with those of the Iberdrola group and are: Supply assurance, Supply chain development, Risk mitigation and resilience of the Supply Chain, Sustainability, Health and Safety, Efficiency, Competitiveness, Internal Customer Satisfaction, Digital Transformation, and Governance and Compliance.

Key figures: volumes, countries, supplies, suppliers

Iberdrola's invoiced volume for purchases of equipment, materials, and contracting of works and services by Avangrid and Neoenergia, and its geographical breakdown for the 2023 fiscal year, is shown in the following table:

GENERAL SUPPLY OF EQUIPMENT, MATERIALS, WORKS AND SERVICES (€ MILLIONS)	2023	2022	2021
Avangrid	3,646	3,360	3,031
Neoenergia	2,160	2,143	1,400

The number of tenders managed in 2023 and the number of suppliers with an order in the year is shown in the following table for Avangrid and Neoenergia:

	TENDERS MANAGED IN THE YEAR	SUPPLIERS WITH ANY ORDER IN THE YEAR
Avangrid	1,360	4,175
Neoenergia	1,625	4,870

The distribution of purchases by supply type for Avangrid and Neoenergia during 2023 is shown in the following table:

	WORKS AND SERVICES	EQUIPMENT AND MATERIALS
Avangrid	72%	28%
Neoenergia	71%	29%

Purchases from local suppliers made by Avangrid and Neoenergia % over the total, are summarized in the following table:

ACQUISITION OR CONTRACTING OF MATERIALS, EQUIPMENT, WORKS AND SERVICES FROM LOCAL SUPPLIERS (%)	2023	2022	2021
Avangrid	93.5	93.7	96.4
Neoenergia	99.5	99.6	99.3

Systems that support Purchasing activity

Both Avangrid and Neoenergia support their purchasing and tendering processes in IBuy and their supplier management in GoSupply.

Neoenergia, additionally and in order to comply with local requirements, uses a local platform (Websupply) to control supplier compliance with administrative requirements in Brazil.

Supplier classification and screening processes: indicators

Based on the identification of suppliers obtained with the classification and screening processes, potentially critical suppliers are identified, either due to the level of relevance or priority based on their relationship with the group's activity or because a level of risk has been identified that is higher than normal.

The following table shows the number of suppliers identified as potentially critical:

CLASSIFICATION AND SCREENING OF SUPPLIERS IN AVANGRID	2023	2022
Total number of Tier 1 suppliers	4,175	4,131
Total number of potentially critical suppliers in Tier 1 ¹	506	424
% of spending on potentially critical suppliers in Tier 1	93.83%	93.29%
Total number of potentially critical NON Tier 1 suppliers	0	0
Total number of potentially critical suppliers	506	424

CLASSIFICATION AND SCREENING OF SUPPLIERS AT NEOENERGIA	2023	2022
Total number of Tier 1 suppliers	4,870	5,346
Total number of potentially critical suppliers in Tier 1 ²	304	342
% of spending on potentially critical suppliers in Tier 1	94.82%	91.41%
Total number of potentially critical NON Tier 1 suppliers	0	0
Total number of potentially critical suppliers	304	342

The risk assessment of potentially critical suppliers of the Iberdrola group is carried out primarily through the GoSupply platform.

¹ taking into account that Tier 1 supplier is any supplier awarded an order during the year

² taking into account that Tier 1 supplier is any supplier awarded an order during the year

Evaluation of suppliers in sustainability: indicators

The following table presents the quantitative data of the suppliers identified as potentially critical in the classification and screening processes, the evaluated suppliers and those identified as needing to undertake action plans:

SUPPLIER EVALUATION	2023 AVANGRID	2022 NEOENERGIA
Total number of suppliers classified as potentially critical	506	304
Number of classified suppliers as potentially critical evaluated through GoSupply or through on-site audit processes	479	288
% of suppliers classified as potentially critical evaluated	94.66%	94.74%
Evaluated suppliers that involve corrective mitigation measures	11	66
Evaluated suppliers that require an improvement plan	117	13
Evaluated suppliers that involve corrective mitigation measures or an improvement plan to mitigate the level of risk in terms of sustainability.	128	79

Corrective measures and improvement plans

During 2023, the suppliers classified as potentially critical were evaluated. After the assessment, 11 suppliers have been identified in Avangrid and 66 suppliers have been identified in Neoenergia whose risk level is critical and that could produce some impact.

For this group of suppliers, in accordance with the Guide to action and sanctions for suppliers in the event of practices contrary to the Code of Ethics, corrective measures have been taken for a total of 11 suppliers in Avangrid and 66 suppliers in Neoenergia. In general, and after the analysis of each case and the identification of the fundamental root cause, the measures to be taken by the supplier have been determined, establishing objectives and compliance deadlines. These corrective measures have the dual function of establishing measures aimed at mitigating and/or remedying detected breaches of the Code of Ethics and attempting to prevent them from being repeated in the future.

Finally, it has been decided to terminate the contractual relationship with 1 supplier in Avangrid.

Supplier development

The Iberdrola group, in collaboration with other entities, has promoted several initiatives aimed at developing capabilities to systematically improve the practices and performance of suppliers on specific ESG issues.

During this period, several programs have been launched, mainly focused on training in sustainability and collaboration with suppliers to calculate their carbon footprint, among which the following stand out:

- Participation in the 1st edition of the United Nations Sustainable Suppliers training program.
- Participation in the 2nd edition of the United Nations Sustainable Suppliers training program.
- “Enhancing supplier’s Compliance system” program.

These programs go beyond supporting corrective actions and are typically medium-term programs that take time to implement.

These initiatives are a commitment to develop long-term capabilities and knowledge with the aim of improving ESG performance.

During this period a total of 65 suppliers in Avangrid and 104 suppliers in Neoenergia have been included in these supplier development programs, which represents a substantial increase compared to the previous year.

Proposals for sustainability improvement plans to suppliers

We drive our suppliers to be more sustainable. We give the opportunity to suppliers that are technically valid and economically competitive to get up to date on ESG aspects. We send proposals for personalized improvement plans to suppliers that are not at the appropriate sustainability levels for a long-term relationship with Iberdrola.

In the period 2020-2022, proposals for improvement plans were sent to 912 Group suppliers and the result of this initiative was that 57% of them managed to improve their level of sustainability until reaching the “adequate” level.

At the end of 2023, improvement plan proposals were sent to 170 suppliers, of which 117 were sent to Avangrid suppliers and 13 to Neoenergía suppliers. As a result, specific lines of action have already been agreed upon with them, ensuring that more than 54% of these suppliers are already sustainable at the time of issuance of this report and the rest are in the process of improvement.

Therefore, not only is the supplier motivated to improve its profile through actions that promote excellence in business management, but, through quantifiable objectives, the Purchasing Department is encouraged to choose those companies that throughout the year of the process demonstrate good performance in social responsibility or acquire a commitment to improvement.

Indicators: Corrective measures and improvement plans

Finally, the fulfillment of the objective is confirmed that, after the evaluation process, a total of 128 suppliers with potential or real impact on Avangrid and a total of 79 suppliers with potential or real impact on Neoenergía were identified. A remediation plan or improvement plan has been agreed upon with 100% of them, and in one case, the contract has been cancelled.

CORRECTIVE MEASURES AND IMPROVEMENT PLANS	2023 AVANGRID	2023 NEOENERGIA
Suppliers evaluated with potential or real impact and with corrective mitigation measures implemented	10	66
Suppliers evaluated with potential or real impact and with corrective mitigation measures implemented and with whom the contractual relationship has been canceled	1	0
Suppliers evaluated with potential or real impact and with an agreed improvement plan	117	13
Total suppliers with corrective measures and improvement plans	128	79

Sustainability in purchasing management and in the relationship with suppliers

The Iberdrola group's sustainability evaluation model is also applied in Avangrid and Neoenergía, with the same criteria.

By 2024, improvement objectives have been established across the entire Purchasing Department in order to increase the number of sustainable main suppliers awarded.. The goal for 2024 is that more than 85% of main suppliers are subject to sustainable development policies and standards and are qualified as sustainable suppliers, establishing this objective at the Management level, with a deployment of the objective at the business and country level.

The following graphs reflect the situation at the end of 2023 of the sustainable main supplier objective and the objectives set for 2024:



*Data based on extrapolating the responses obtained until the end of 2020, the year of supplier onboarding that is ending in 2021.

Supplier Survey

In 2022, the VIII edition of the Supplier Satisfaction Survey was carried out and the results obtained improvement, both in Avangrid and Neoenergia, over the previous survey:

AVERAGE RATING		
Avangrid	2020	7.73
	2022	7.54
	Δ	-2.5%
Neoenergia	2020	8.87
	2022	8.97
	Δ	+1.1%

The IX edition of the satisfaction survey is being carried out at the same time as this report is issued. The survey has been sent to a representative sample of the Group's suppliers and it is expected to have a participation that will allow the results to be extrapolated and based on them to adopt the corresponding measures. As soon as the executive report for this edition is available, it will be publicized and disseminated through communication channels with suppliers.

Supplier Diversity Program

Avangrid's **Supplier Diversity Program** promotes an inclusive environment through equitable and competitive business practices that strengthen the participation of ethnic minority-owned, women-owned, service-disabled veteran-owned, veteran-owned, people with disabilities, and lesbian, gay, bisexual, transgender, queer, and intersex individuals (LGBTQI+) owned businesses in the company's purchases of goods and services. Avangrid's goal is focused on achieving \$300 million in spend with diverse suppliers by 2025.

Actions taken to grow the Supplier Diversity program include-

- Engaging in a partnership with the Rochester Procurement Equity Project – a pilot project designed to leverage the impact of corporate and institutional procurement dollars within Rochester's communities of color.
- Assessing process to capture Tier 2 indirect spend.
- Increasing the visibility and awareness of Avangrid's Supplier Diversity program by launching an Avangrid Supplier Diversity website

- Presenting our Supplier Diversity Awards to two of Avangrid’s diverse suppliers.
- Attending conferences and supplier matching events.



The growth of spend with diverse suppliers is shown in the following table:

AVANGRID	2023	2022	2021
Volume contracted to diverse groups (millions of US dollars)	284	195	174

In 2023, Avangrid grew its supplier diversity program and surpassed its diverse supplier spend goal by 24%, achieving \$284 million and creating a significant economic impact

As we work to achieve our supplier diversity and sustainability goals, we recognize that these commitments create long-term value for our suppliers and our company. These include creating better business solutions, increasing loyalty and customer satisfaction, and having a positive impact on the community.

Supplier Diversity Summit

Avangrid held its first-ever **Supplier Diversity Summit** at its headquarters in Orange, Connecticut, and this event was part of Avangrid’s 2023 Diversity Week. The event proactively connected diverse suppliers with key stakeholders from relevant business areas within Avangrid and increased the overall visibility of Avangrid’s Supplier Diversity Program.

“This event was an excellent occasion to celebrate our commitment to Diversity, Equity and Inclusion” said Pedro Azagra, CEO of Avangrid. “As a member of the Iberdrola group, we are already a naturally diverse company made up of people with many origins, stories, and ideas. This makes us stronger. “Our Supplier Diversity Program ensures that we are building strong partnerships with diverse allies to strengthen our supply chain and ensure it truly reflects our customers and the communities we serve.”

