



Regulations of the Sustainable Development Committee



15 December 2020

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TITLE I. NATURE, OBJECT AND APPROVAL

Article 1. Nature and Object

1. Pursuant to the Governance and Sustainability System of IBERDROLA, S.A. (the “**Company**”), the Board of Directors establishes the Sustainable Development Committee (the “**Committee**”), a permanent internal informational and consultative body without executive duties, with information, advisory and proposal-making powers within its scope of action and which shall be governed by the provisions set forth in the *By-Laws*, in the *Regulations of the Board of Directors* and in these *Regulations of the Sustainable Development Committee* (the “**Regulations**”).
2. The object of these *Regulations* is to favour the independence of the Committee and to determine the principles of conduct and the rules of internal operation thereof, without prejudice to the powers of the committees or equivalent bodies that may exist at companies, whether or not listed, belonging to the group of companies of which the Company is the controlling entity, within the meaning established by law (the “**Group**”).
3. These *Regulations* have been prepared taking into account the good governance recommendations generally accepted in international markets and form part of the Governance and Sustainability System.

Article 2. Approval, Amendment and Priority

1. These *Regulations* must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors or of the Committee itself.
 2. Any amendment hereof must be approved by resolution adopted by the Board of Directors on the initiative of the Board, of the chairman thereof, of the chair of the Committee, of one-third of the directors or of the Committee itself.
 3. These *Regulations* further develop and supplement the provisions of the *By-Laws* and of the *Regulations of the Board of Directors* applicable to the Committee. The latter provisions shall prevail in the event of conflict with the former.
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TITLE II. POWERS

Article 3. Powers regarding the Purpose and Values of the Iberdrola group

The Committee has the duty of advising the Board of Directors, within the scope of its powers, on the approval and amendment of the *Purpose and Values of the Iberdrola group*.

The Committee is also responsible for ensuring that the Company’s corporate culture is aligned with the *Purpose and Values of the Iberdrola group*.

Article 4. Powers regarding Sustainable Development

In this regard, the Committee shall have the following main functions:

- a. Conduct a periodic review of the *General Sustainable Development Policy*, the *Stakeholder Engagement Policy* and the environmental and social policies, and propose the amendment and update thereof to the Board of Directors.
- b. Supervise and evaluate the processes of relations with the various Stakeholders.
- c. Determine the general guidelines, standards and principles that should inform the preparation of the statement of non-financial information.
- d. Verify that the content of the statement of non-financial information conforms to the Company’s sustainable development strategy and report thereon to the Board of Directors, prior to the preparation of said statement of non-financial information by the Board of Directors, taking into account the report prepared by the Audit and Risk Supervision Committee regarding the process of preparation and presentation thereof, as well as regarding the clarity and integrity of the content thereof
- e. Supervise the Company’s actions relating to sustainable development, and particularly that its environmental and social practices conform to the strategy and policies approved by the Board of Directors, and report thereon to the Board of Directors and to the Executive Committee, as appropriate.
- f. Monitor the Group’s contribution to the achievement of the following objectives, based on the principles set out in the Sustainable Development Goals (SDGs) approved by the United Nations.
- g. Be informed regarding the inclusion of the Group in the most widely recognised international sustainability indices.
- h. Advise, within its area of authority, on matters such as employment, innovation, satisfaction, diversity and inclusion, integration, non-discrimination, equality, conciliation, accessibility and mobility.
- i. Foster a co-coordinated strategy for the Group’s social action and its sponsorship and patronage plans.
- j. Report on the conduct of general interest and corporate social responsibility activities by entities in the nature of foundations related to the Group to which such activities have been entrusted.
- k. Assess the Group’s status in connection with sustainable development and corporate social responsibility.
- l. Advise the Board of Directors regarding compliance with and effects of the public initiatives launched in the various countries where the Group does business to promote sustainable development.
- m. Assess draft bills on sustainable development, corporate social responsibility and related activities (equality, social and environmental variables in Government agreements, etc.) and their possible effects on the Group’s activities.
- n. Be informed of the possible influence on the Group of European sustainable development and corporate social responsibility laws and regulations as well as of domestic, autonomous community and local laws dealing with corporate social responsibility.
- o. Analyse voluntary initiatives and documents with recommendations concerning sustainable development and corporate social responsibility that appear in the market.

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- p. Disseminate internally the latest communication and responsible marketing trends.
- q. Be informed of and advise the Board of Directors regarding the latest responsible innovation trends.
- r. Be informed of best corporate practices using systematic measurement tools, in order to evaluate the corporate social responsibility positioning of competitor companies.
- s. Review the various corporate social responsibility measurement and observation tools implemented at the domestic and international levels and provide recommendations to improve the positioning of the Group.
- t. Issue such other reports and take such other actions in the area of sustainable development and corporate social responsibility as may also fall within its purview pursuant to the Governance and Sustainability System or as may be requested by the Board of Directors or the chairman thereof.

For these purposes, the scope of sustainability and corporate social responsibility comprises the Group's contribution to sustainable development, decarbonisation of the economy, respect for the surroundings and the environment, social action, quality and innovation, which are actualised in the principles, values and practices defined in the *Purpose and Values of the Iberdrola group* and in the *General Sustainable Development Policy* approved by the Board of Directors.

Article 5. Powers regarding Corporate Reputation

In this regard, the Committee shall have the following main functions:

- a. Monitor the Company's actions relating to corporate reputation and report thereon to the Board of Directors and to the Executive Committee, as appropriate.
- b. Report on the corporate reputation contents of the Group's annual reports prior to approval thereof by the Board of Directors.
- c. Supervise the inclusion of elements to improve the management of intangible assets such as reputation, brand image, intellectual capital, internationalisation, transparency and ethics.
- d. Report on the activities in the area of corporate reputation carried out by entities in the nature of foundations related to the Group.
- e. Review the plans for implementation of the Company's corporate reputation strategy and monitor the level of compliance therewith.
- f. Issue such other reports and take such other actions in the area of corporate reputation as may also fall within its purview pursuant to the Governance and Sustainability System or as may be requested by the Board of Directors or the chairman thereof.

The scope of corporate reputation comprises matters relating to image management, brand, external communications, institutional relations and other aspects relating to the generation of trust and transparency towards its Stakeholders, as required under the Group's corporate model and as determined by the Board of Directors.

Article 6. Powers regarding the Company's Corporate Governance and Regulatory Compliance

In this regard, the Committee shall have the following main functions:

- a. Conduct a periodic review of the Governance and Sustainability System, with special emphasis on the corporate governance and regulatory compliance policies, and propose to the Board of Directors, for the approval thereof or for submission to the shareholders at a General Shareholders' Meeting, such amendments and updates as may contribute to the development and ongoing improvement thereof.
- b. Monitor the Company's corporate governance strategy.
- c. Monitor compliance with legal requirements and with the rules and regulations of the Governance and Sustainability System, particularly in relation to the application of the *Shareholder Engagement Policy* and the *Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors*, keeping track of the manner in which the Company communicates with and relates to small and medium-size shareholders.
- d. Report on the Company's *Annual Corporate Governance Report* prior to the approval thereof, obtaining for such purpose the reports of the Audit and Risk Supervision Committee, the Appointments Committee and the Remuneration Committee with respect to the sections of such report that are within its powers.
- e. Issue its prior opinion on the annual report on the effectiveness of the Group's compliance system prepared by the Compliance Unit and submit it to the Board of Directors.
- f. Examine the level of compliance by the Company with generally recognised good governance recommendations and, if appropriate, of compliance therewith by the other companies of the Group.
- g. Report on proposed amendments of the *Code of Ethics*.
- h. Receive information from the Compliance Unit regarding proposed amendments of the Code of Ethics and regarding any significant issue relating to the application of and compliance with the Code of Ethics.
- i. Use the Compliance Unit to review the Company's internal policies and procedures in order to prevent improper conduct and identify policies or procedures that may be more effective in promoting the highest ethical standards.
- j. Review and validate the annual operating budget of the Compliance Unit, for submission thereof to the Board of Directors through the chairman of the Board, as well as its annual activity plan, and endeavour to ensure that the Compliance Unit has the material and human resources required to discharge its duties.
- k. Report on proposed amendments of the Regulations of the Board of Directors and of the *Regulations of the Compliance Unit*.
- l. Verify that the information published by the Company on its corporate website regarding sustainable development, the

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Governance and Sustainability System and other areas within its purview is sufficient and appropriate and follows applicable good corporate governance recommendations.

TITLE III. COMPOSITION

Article 7. Composition

1. The Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors, and the majority thereof must be classified as independent.
2. The Board of Directors shall endeavour to ensure that the members of the Committee have such expertise, qualifications and experience as are required by the duties they are called upon to perform.
3. Within the aforementioned limits, the Committee may submit to the Board of Directors a proposal for amendment of the number of Committee members when it is deemed that such number will contribute to the more efficient operation of the Committee.
4. Diversity shall be sought in the composition thereof, particularly as regards, gender, professional experience, competencies, industry knowledge and geographic origin.

Article 8. Positions

1. The Board of Directors shall appoint a chair of the Committee from among the independent directors forming part thereof, who must be a director with sufficient capacity and availability to provide greater dedication to the Committee than the rest of the members thereof.
2. The Board of Directors shall also appoint a secretary of the Committee, who need not be a director.

Article 9. Term of Office

1. Committee members shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.
2. Committee members who are re-elected as directors of the Company by resolution of the shareholders at a General Shareholders' Meeting shall continue in their positions on the Committee, without the need for a new election, unless the Board of Directors resolves otherwise.

Article 10. Cessation of Office

Committee members shall cease to hold office:

- a. When they cease to be directors of the Company.
- a. When they cease to be non-executive directors, even if they continue as directors of the Company.
- a. Upon expiration of the maximum term for which they were appointed without being re-elected.
- a. By resolution of the Board of Directors.

TITLE IV. TRAINING

Article 11. Orientation Programme

In order for new members of the Committee to be able to actively perform their duties as from their appointment, the *Orientation Programme* provided for in the *Regulations of the Board of Directors* shall be made available to them on the directors' website.

Article 12. Training Programme

The Committee shall have a periodic training plan that ensures the refreshment of knowledge relating to the latest trends in the area of sustainable development, corporate social responsibility, the most significant risks relating to regulatory compliance, and best corporate governance practices in the international markets.

TITLE V. OPERATION

Article 13. Annual Work Plan

1. Before the beginning of each financial year, the Committee shall approve an annual work plan that contemplates at least the following aspects:
 - a. The specific goals established for the financial year relating to each of the powers of the Committee, especially those that might be new or relate to significant issues.
 - b. Issues that should be dealt with on a recurring or one-time basis during the financial year.
 - c. The planning of the training deemed appropriate for the proper performance of the duties thereof.
2. This planning shall take into account that the members of the Committee have responsibilities, mainly of supervision and advice, and should not intervene in the performance or management of matters within the authority of the Company's management.

Article 14. Schedule and Meetings

1. Once the annual meeting schedule of the Board of Directors has been approved, the chair and the secretary of the Committee shall prepare a proposed annual schedule for the meetings of the Committee during the first month of the financial year, ensuring that the number of meetings is not less than three and does not exceed seven per year and that they are held on days prior to the meetings of the Board of Directors.

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2. Preparation of the proposed schedule must consider the time to be devoted to the various duties of the Committee and must take into account the meeting schedule of the Board of Directors and the date for holding the General Shareholders' Meeting, in order to prepare any reports or proposals to be submitted regarding the matters to be dealt with, as well as the report on the activities of the Committee referred to in article 25 below.
3. The proposed schedule shall include the tentative agendas and any appearances that may be deemed necessary. This proposal shall systematically reflect the tentative agenda for the meetings, planning fixed sections for issues that are dealt with on a recurring basis, and other sections for issues that are only dealt with at particular meetings.
4. The secretary of the Committee shall send the proposed schedule to the secretary of the Board of Directors for validation and subsequent preparation of the meeting schedule of the corporate decision-making bodies, pursuant to the provisions of article 29.7 of the *Regulations of the Board of Directors*. Once the proposed schedule is validated by the Office of the Secretary of the Board of Directors, the Committee shall approve the annual meeting schedule.
5. Where appropriate, the meeting schedule shall be supplemented with the scheduling of preparatory work sessions or meetings on specific issues.
6. Without prejudice to the provisions of the preceding sections, the Committee shall meet as many times as the chair thereof deems is necessary to exercise the powers entrusted thereto, as well as when requested by at least two of its members. Prior to sending a call to a meeting not provided for in the meeting schedule of the corporate decision-making bodies, the secretary of the Committee shall send to the secretary of the Board of Directors for validation the date, agenda and any appearances that may be deemed necessary.
7. The chairman of the Board of Directors and the chief executive officer may request informational meetings with the Committee on an exceptional basis.

Article 15. Call to Meeting

1. The secretary of the Committee shall, by order of the chair thereof, call the Committee to meeting at least eight days in advance thereof, except in the case of urgent meetings.
2. The call to meeting shall be carried out by any means allowing for receipt thereof and shall include the agenda for the meeting and the documentation expected to be made available to the members of the Committee, which shall first be reviewed by the Office of the Secretary of the Board of Directors to ensure the consistency thereof with the meeting schedule of the corporate decision-making bodies and the Governance and Sustainability System.
3. No prior call to a meeting of the Committee shall be required when all of its members are present and unanimously agree to the holding of the meeting and to the items of the agenda to be dealt with.

Article 16. Place of Meetings

1. Meetings of the Committee shall be held in person at the place designated in the call to meeting.
2. If so decided by the chair of the Committee on an exceptional basis, a meeting may be called to be held at several connected places or on-line by using remote communication systems that permit the recognition and identification of the attendees, permanent communication among them and participation in discussion and the casting of votes, all in real time, which meeting shall be deemed to be held at the registered office. The members of the Committee in attendance at any of such interconnected places shall be deemed to have attended the same meeting of the Committee for all purposes.

Article 17. Establishment of a Quorum

1. A valid quorum for Committee meetings shall be established with the attendance, in person or by proxy, of a majority of its members.
2. The chair of the Committee shall preside over the meeting. In the event of the vacancy, illness, incapacity or absence of the chair of the Committee, the meeting shall be chaired by the director having the longest length of service on the Committee, and if equal lengths of service, by the oldest.
3. The secretary of the Committee shall act as secretary for the meeting. In the event of vacancy, illness, incapacity or absence of the secretary of the Committee, the person appointed by the Committee for such purpose shall act as secretary.
4. Committee members may give a proxy to another member by notice delivered by any of the means set forth in article 15 above, addressed to the secretary of the Committee and including the terms on which the proxy is given. However, they may not give a proxy in connection with matters affecting them personally or regarding which they are involved in any conflict of interest situation.
5. On an exceptional basis, based on the circumstances in each case, the chair of the Committee may authorise the attendance at the meeting of one or more members by using remote connection systems that permit the recognition and identification thereof, permanent communication with the place where the meeting is held, and their participation therein and the casting of votes, all in real time. Members connected remotely shall be deemed for all purposes to have attended the meeting of the Committee.

Article 18. Resolutions

1. Resolutions of the Committee shall be adopted by an absolute majority of the votes of the members present at the meeting in person or by proxy. In the event of a tie, the chair of the Committee shall have the tie-breaking vote.
2. All resolutions adopted shall be recorded in minutes signed by the chair and the secretary of the Committee or by the persons acting in their stead. They shall be approved at the same meeting or at the meeting held immediately thereafter, shall be made available to all of the directors and shall be entered in a book of minutes of the Committee.

Article 19. Conflicts of Interest

When matters to be dealt with at a meeting of the Committee directly affect one of its members or persons related thereto and,

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in general, when such member is subject to a conflict of interest situation (upon the terms established in the *Regulations of the Board of Directors*), such member must leave the meeting until a decision is made, and such member shall be subtracted from the number of Committee members for purposes of calculating the quorum and majorities with respect to the matter at hand.

Article 20. Attendance

1. At the request of the chair of the Committee, addressed for such purpose to the chairman of the Board of Directors, any director may be asked to attend the meetings thereof.
2. By means of a reasoned request made through the secretary of the Board of Directors, the chair of the Committee may also request the attendance of members of the Foundations Committee of the Iberdrola Group, of any director, member of management or professional of the Group, of any member of the management decision-making bodies of the companies forming part of the Group whose appointment has been proposed by the Company, and of any director, member of management or professional of entities in the nature of foundations related to the Group, provided there is no legal impediment thereto. The secretary of the Board of Directors shall evaluate the suitability of the appearances requested based on the matters to be discussed, the powers of the Committee, the identity of the person whose attendance is requested and the meeting schedules of the corporate decision-making bodies from time to time in effect.
3. Persons who are not members of the Committee may not attend meetings thereof when the matters dealt with are outside the scope of the powers or duties of such persons.
4. The presence of members of management, professionals or other directors, whether executive or not, at meetings of the Committee shall be on an occasional basis and only when required, after an invitation from the chair of the Committee, shall be strictly limited to those items on the agenda for which they are called, and they shall not attend the decision-making portion of the Committee's meetings. The chair may authorise the remote attendance thereof using the communication systems described in article 17.5 above, if he so deems appropriate. The secretary shall record the entries and exits of guests at meetings in the minutes.

TITLE VI. POWERS OF THE COMMITTEE, PARTICIPATION AND RIGHTS TO RECEIVE INFORMATION OF THE MEMBERS THEREOF, DUTIES AND EVALUATION OF THE OPERATION THEREOF

Article 21. Powers and Advice

1. The Committee may, through the secretary of the Board of Directors, freely access any information or documents available at the Company relating to the matters that are within the Committee's area of authority and that it deems necessary to perform its duties.
2. Furthermore, the Committee may, through the secretary of the Board of Directors, request any kind of information or documents available to the Foundations Committee of the Iberdrola Group relating to the matters that are within the Committee's area of authority and that it deems necessary to perform its duties.
3. The Committee may also seek, at the Company's expense, cooperation or advice from outside professionals, who shall address their reports directly to the chair of the Committee. In such case, the Committee shall ensure that potential conflicts of interest do not prejudice the independence of the outside advice received.

Article 22. Participation and Rights to Receive Information

1. In order to promote a diversity of opinions that enriches the analysis and proposals of the Committee, the chair of the Committee shall ensure that all of the members freely participate in the deliberations, without being affected by internal or third-party pressures, and shall encourage constructive dialogue among them, promoting free expression and a critical attitude.
2. The chair of the Committee shall channel and provide the information and documentation required to the other members of the Committee sufficiently in advance of each meeting so that they can properly analyse it and prepare for the meeting.

Article 23. Duties of Committee Members

1. Committee members must act with independence of judgement and action with respect to the rest of the organisation and perform their work with the utmost diligence and professional competence. In particular, attendance at meetings of the Committee shall be preceded by the sufficient dedication of its members to analyse and evaluate the information received.
2. In exercising their powers, the members of the Committee shall comply with the provisions of these *Regulations* and applicable law on professional scepticism and critical attitude regarding the conclusions reached by the executive directors and members of senior management of the Company, acknowledging the arguments for and against, and with each of the members, and the Committee as a whole, forming their and its own position.
3. Committee members are subject as such to all of the duties of a director set forth in the *Regulations of the Board of Directors*, to the extent they are applicable to the responsibilities discharged by the Committee.

Article 24. Information to the Board of Directors

The chair of the Committee shall inform the Board of Directors, at the next meeting thereof following the meetings of the committee, of the matters dealt with and the resolutions adopted during its meetings.

Article 25. Information to the Shareholders at the General Shareholders' Meeting

1. Pursuant to the provisions of the *Regulations of the Board of Directors*, the *Activities Report of the Board of Directors and of the Committees thereof*, which shall include information regarding the operation and the activities of the Committee during the preceding financial year, shall be made available to the shareholders and the other Stakeholders for purposes of the call to the General Shareholders' Meeting.

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2. In particular, the section of the *Activities Report of the Board of Directors and of the Committees thereof* regarding the Committee must allow the shareholders and other interested parties to understand the activities performed by the Committee during the financial year in question, for which reason the publication must contain at least the following aspects:
 - a. Description of the regulation of the Committee.
 - b. Composition of the Committee during the financial year, including the classification and seniority of each of the members thereof, as well as the significant abilities in terms of knowledge and experience contributed by each member.
 - c. The standards used to determine and the rationale explaining the composition of the Committee, particularly in relation to the appointment of members who are not independent directors.
 - d. Duties and work performed during the financial year by the Committee, changes therein during the fiscal year and reference to these Regulations.
 - e. Meetings held during the financial year and number of attendees, including whether non-members of the Committee have been invited.
 - f. Significant activities during the period (reporting those that have been performed with the assistance of external experts).
 - g. Evaluation of the operation and performance of the Committee, as well as of the methods used to assess the effectiveness thereof.
 - h. Independence and conflicts of interest of external advisors, experts and consultants.
 - i. Significant deviations from the procedures adopted or improprieties of which the Board of Directors has been notified in writing in areas within the purview of the Committee.

Article 26. Evaluation

1. Within the framework of the annual evaluation provided for in the *Regulations of the Board of Directors*, the Appointments Committee shall coordinate the evaluation of the Committee's performance in order to strengthen the operation thereof and improve planning for the next financial year, for which purpose it shall ask the opinion of its members and of the other directors.
2. In the interest of greater transparency, the *Activities Report of the Board of Directors and of the Committees thereof* shall state the extent to which the evaluation has caused significant changes in the organisation and procedures of the Committee.

TITLE VII. COMPLIANCE, DISSEMINATION AND INTERPRETATION

Article 27. Compliance and Dissemination

1. The members of the Committee, as well as the other members of the Board of Directors to the extent they are affected, have the obligation to know and comply with these *Regulations*, for which purpose the secretary of the Board of Directors shall post them on the directors' website and on the Company's corporate website.
2. In addition, the Committee shall have the obligation to ensure compliance with these *Regulations* and to adopt appropriate measures for the required dissemination thereof among the rest of the organisation.

Article 28. Interpretation

1. These *Regulations* shall be interpreted in accordance with law and the Governance and Sustainability System.
2. Any question or dispute regarding the interpretation of these *Regulations* shall be resolved by the Committee itself, and in the absence of such resolution, by the chair of the Committee, who shall be assisted by such persons, if any, as may be appointed by the Board of Directors for such purpose. The Board of Directors shall be informed of the interpretation and resolution of the questions or disputes that may have arisen.
3. In the absence of a specific rule, the provisions of the *Regulations of the Board of Directors* regarding the operation of the Board and, in particular, those regarding the call to meetings, granting of a proxy to another director, establishment of a quorum, meetings without prior notice, proceedings at meetings and system for adopting resolutions, casting of votes in writing and without a meeting and approval of the minutes of meetings, shall apply to the Committee to the extent that they are not inconsistent with the nature thereof.