

5.4 Ethics and Sustainable Development

Compliance System

Iberdrola's Compliance System is made up of the substantive rules, formal procedures and major activities within the group to encourage the organisation to act in accordance with applicable ethical principles and legal provisions, through a set of procedures and actions designed to prevent, detect and react to irregular actions, fraud or actions contrary to the Iberdrola group's *Code of Ethics* or applicable laws and regulations.

The Code of Ethics, which forms part of Iberdrola's Corporate Governance System, was approved by the Board of Directors in 2002 and is regularly updated. In October 2018, the Board of Directors approved the merger of the three codes existing at the time into a single code: *Directors' Code of Ethics, Employees' Code of Ethics and Suppliers' Code of Ethics*.

Compliance Unit

Iberdrola has created a Compliance Unit, a collective, internal and permanent body linked to the Sustainable Development Committee of the Board of Directors.

There is a compliance division linked to the Audit and Compliance Committees at each subholding company and/or head of business company.

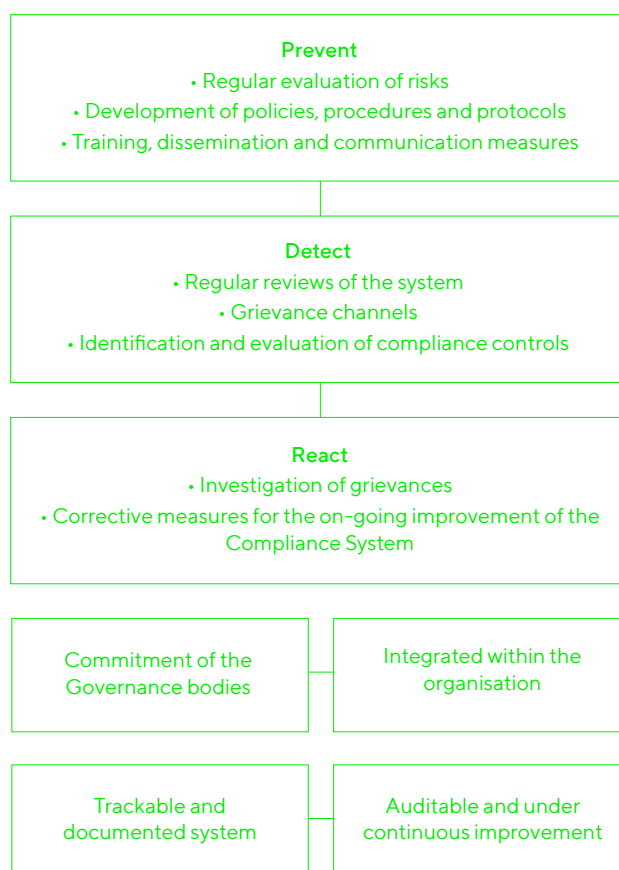
The duties of all of them include promoting a culture of ethical behaviour and zero tolerance for fraud and the commission of unlawful acts and management of the Compliance System.

Powers of the Unit

The Compliance Unit has powers related to the *Code of Ethics*, the *Anti-Corruption and Anti-Fraud Policy*, the *Crime Prevention Policy*, the *Internal Regulations for Conduct in the Securities Markets*, legal provisions regarding the separation of activities, and all other powers that may be entrusted thereto by the Sustainable Development Committee or the Board of Directors of the company or that are established in Iberdrola's Corporate Governance System.

Main areas of the Compliance System

The main activities and areas of activity within the framework of the group's Compliance System are: (i) the crime prevention programmes, which are developed within the provisions of the Spanish Criminal Code (without prejudice to additional actions required by the laws of any other jurisdiction in which the group does business), (ii) measures for compliance with the *Code of Ethics*, which includes specific training and communication plans for all professionals of the group, (iii) the development and implementation of specific rules and measures regarding fraud and corruption, (iv) actions to ensure compliance with the rules on market abuse and separation of activities, and (v) management of the ethics mailboxes.



Principal awards/recognitions

In 2018, Iberdrola renewed the *Compliance Leader Verification* certification provided by the Ethisphere Institute to those companies that show they have an ethical culture implemented within all of their businesses and activities as well as a robust and effective compliance system.

In 2018 it also renewed the *UNE-ISO 37001* and *UNE19601* certifications provided by Aenor.

Furthermore, the companies of the Spain subgroup also obtained these certifications in 2018.

Iberdrola has been chosen for the sixth consecutive year as one of the most ethical companies in the world, according to the *World's Most Ethical Companies 2019* ranking prepared by the *Ethisphere Institute*, thus recognising the ethical leadership and conduct of the organisation.

Finally, Expansion has given Iberdrola the *Company with best compliance practices 2018-2019* award, recognising the company's compliance system and structure.



Organisation of social responsibility within the group

Iberdrola's commitment to sustainable development is carried out by integrating the UN 2030 Agenda into the strategy and operations of the Iberdrola group.

The group's Social Responsibility is thus developed generically for all of the Areas and Businesses, in all countries.

The Corporate Sustainable Development Committee and the Sustainable Development Committees of the country subholding companies coordinate the balanced development of Social Responsibility within the Iberdrola group. The Sustainable Development Committee performs the work of supervision within its purview.

"Responsible Energy for People" Plan

The most significant contributions towards achieving the SDGs are focused around two major foundations that inspire our actions:

- **We care for the planet**, putting ourselves in the lead of reducing emissions in the energy sector.
- **We contribute to the well-being and progress of the societies** of all the territories in which we are present.

Iberdrola's commitment takes shape through various lines of work that cover more than 300 environmental, social and economic activities, thus responding to the expectations and needs of our Stakeholders, encompassed within 7 priorities.

Main priorities of the SR Plan

Sustainable economic growth
 Workplace health & safety and personal development
 Fight against climate change and protecting biodiversity
 Innovation, digitalization and quality for our customers
 Contributing to the wellbeing of our communities
 Good governance, transparency and stakeholder engagement
 Promoting CSR in the supply chain

Iberdrola considers its corporate values to include ethical principles, good governance and transparency, and social commitment

External awards/recognitions



Only European electric utility included in the 19 editions, regarded as one of the eight top sustainable electric utilities in the world.



Only Spanish electric company selected in 2019 as one of the 100 most sustainable companies in the world.



A rating in CDP Climate Change, and among A-list in CDP Supply Chain.



Iberdrola selected AAA.



Iberdrola selected in various Euronext Vigeo Eiris indices.



Classified as "Silver Class" in the electricity sector.



First Spanish utility and fifth worldwide.



Leader among Spanish utilities: electricity, gas and water.



Iberdrola classified as Prime.



Iberdrola classified as the top utility in report on status of sustainability reporting 2018.



Iberdrola among top 25 scoring companies.



Iberdrola among the top three utilities.



Only Spanish utility included in the index.



Iberdrola selected in various sustainability indices.



Iberdrola selected in ET Global 800 and ET Europe 300.