



**Iberdrola España, S.A.U. and its Subsidiary
Companies Compliance System
Transparency Report
2023**

July 2024





Iberdrola España, S.A.U. and Subsidiaries

**Agreed-upon procedures report on the Iberdrola
España, S.A.U. and its subsidiary companies
2023 Compliance System Transparency Report**

*(Translation from the original in Spanish. In the event
of discrepancy, the Spanish-language version prevails.)*



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Agreed-upon procedures report on the Iberdrola España, S.A.U. and its subsidiary companies Compliance System Transparency Report 2023

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To the Compliance Unit of Iberdrola España, S.A.U.

Purpose of this Agreed-upon Procedures Report and Restrictions on its Use and Distribution

Our agreed-upon procedures report on certain indicators contained in the Iberdrola España, S.A.U. and its subsidiary companies Compliance System Transparency Report 2023 (hereinafter, the Transparency Report), detailed in part 3 of the *Procedures and Findings* section of this report, is issued solely to assist the Compliance Unit of Iberdrola España, S.A.U. (hereinafter the Company) in its evaluation of certain information included in the Transparency Report prior to its publication on the Company's website, and may not be suitable for any other purpose. Accordingly, it may not be used for any other purpose without our prior written consent.

Our maximum liability to Iberdrola España, S.A.U. for damage and loss arising from our wrongdoing or negligence in the provision of these services is specified in our engagement letter dated 12 June 2024. In no circumstances shall we accept any liability to parties other than the addressees of this report that may obtain access to it.

Responsibility of the Engaging Party

The Company's Compliance Unit has confirmed that the agreed-upon procedures are suitable for the purpose of the engagement. The Company's Compliance Unit is likewise responsible for preparing the Transparency Report on which the agreed-upon procedures are applied.

The addressees of the report are responsible for ensuring that the procedures performed are sufficient to meet the objectives pursued.

Auditor's Responsibility

Our engagement was undertaken in accordance with generally accepted professional standards in Spain applicable to agreed-upon procedures engagements based on ISRS 4400 (Revised), which regulates the auditor's work in this type of engagement. In an agreed-upon procedures engagement, the users of the report should draw their own conclusions from the factual findings reported as a result of performing the specific procedures defined by you for the aforementioned purpose. We do not accept any liability for the sufficiency of the procedures performed.



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Because the above procedures do not constitute either an audit, a review or an assurance engagement, we do not express an opinion or conclusion on the information contained in the Transparency Report, taken as a whole. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Professional ethics and quality management

We have complied with the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA). For the purpose of this engagement, we are not bound by any independence requirements.

Our firm applies the International Standard on Quality Management 1 (ISQM 1), "*Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*," which requires us to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

The procedures applied and findings obtained were as follows:

- 1- Procurement from management of the Company's Compliance Unit of the "Iberdrola España, S.A.U. and its subsidiary companies Compliance System Transparency Report 2023" prepared by the Compliance Unit. This document accompanies our report.
- 2- Procurement from management of the Company's Compliance Unit of the reports extracted from the Iberdrola España, S.A.U. and its subsidiary companies information systems relative to the indicators detailed in procedure 3 and corroboration of the information contained in these reports with that contained in the Transparency Report for the corresponding indicators.



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3- For each of the indicators contained in the accompanying Transparency Report and detailed below, performance of the procedures specified in the “Procedures performed” column of the following table:

Indicator	Section/Page of the Transparency Report	Procedures performed
1. Number of compliance directors’ appearances before their respective governing bodies in 2023	2.1 Composition and duties (page 16)	1- Procurement from management of the Company’s Compliance Unit of a list of compliance directors’ appearances before their respective governing bodies in 2023. 2- Procurement of the minutes of 5 randomly selected appearances in 2023. 3- Corroboration that the minutes obtained in the preceding step contain express details of all the directors’ appearances contained in the list obtained in point 1 above.
2. Amount budgeted for the Compliance Unit	2.2 Budget and resources (page 18)	1- Procurement from management of the Company’s Compliance Unit of Iberdrola España, S.A.U. and its subsidiary companies Compliance functions’ budget for 2023 approved by their respective governing bodies. 2- Procurement of the Control Management Report detailing the amount budgeted for Iberdrola España, S.A.U. and its subsidiary companies Compliance functions and monitoring of actual vs. budgeted expense. 3- Corroboration that the budget approved for Iberdrola España, S.A.U. and its subsidiary companies Compliance functions for 2023 matches that reflected in the Control Management Report and in the Transparency Report.



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<p>3. Number of employees</p>	<p>2.2 Budget and resources (page 18)</p>	<p>1- Procurement from management of the Company's Compliance Unit of a list of Iberdrola España, S.A.U. and its subsidiary companies' employees working solely for the Iberdrola España, S.A.U. and its subsidiary companies Compliance function at 31 December 2023. 2- For a sample of 5 employees selected randomly from the list in point 1 above, corroboration of their assignment to the Compliance function in the Iberdrola España, S.A.U. and its subsidiary companies internal directory.</p>
<p>4. Evidence of how controls work</p>	<p>3. Compliance risk analysis and assessment (page 20)</p>	<p>1- Procurement from management of the Company's Compliance Unit of a list of controls identified in 2023 by the Iberdrola España, S.A.U. and its subsidiary companies Compliance functions to cover the different risks. 2- For a sample of 5 controls selected randomly from the list in point 1 above, procurement of documentation supporting evidence of the design and execution of the control.</p>
<p>5. Third party evaluations</p>	<p>5.1 Assessment of third parties (page 26)</p>	<p>1- Procurement from management of the Company's Compliance Unit of a list of the evaluations made of third parties (Iberdrola España, S.A.U. and its subsidiary companies suppliers and debtors in 2023). 2- For a sample of 5 evaluations selected randomly from the list in point 1 above, procurement of documentation supporting the evaluations made.</p>



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<p>6. Transactions supervised by nature</p>	<p>5.1 Assessment of third parties (page 26)</p>	<p>1- Procurement from management of the Company's Compliance Unit of a list of transactions supervised by the Iberdrola España, S.A.U. and its subsidiary companies Compliance functions in 2023 classified by nature of the risk. 2- For a sample of 5 transactions selected randomly from the list in point 1 above, procurement of documentation supporting the supervision carried out.</p>
<p>7. Robust principal supplier compliance system</p>	<p>5.2 Sustainability - Development of suppliers (page 27)</p>	<p>1- Procurement from management of the Company's Compliance Unit of the criteria followed by the Iberdrola España, S.A.U. and its subsidiary companies Compliance functions in 2023 for classifying the supplier compliance system. 2- Procurement from management of the Company's Compliance Unit of a list of principal suppliers together with the compliance evaluation. 3- For a sample of 5 suppliers selected randomly from the list in point 1 above, procurement of documentation supporting the compliance evaluation carried out.</p>
<p>8. Background checks of the management team</p>	<p>5.4 Employees (page 29)</p>	<p>1- Procurement from management of the Company's Compliance Unit of a list of Iberdrola España, S.A.U. and its subsidiary companies background checks made in 2023. 2- For a sample of 5 background checks selected from the list in point 1 above, procurement of documentation supporting the evaluation carried out.</p>



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<p>9. Conflicts of interest</p>	<p>5.4 Employees (page 29)</p>	<p>1- Procurement from management of the Company's Compliance Unit of a list of conflicts of interest communicated to the Iberdrola España, S.A.U. and its subsidiary companies Compliance functions in 2023. 2- For a sample of 5 communications selected randomly from the list in point 1 above, procurement of documentation supporting communications received.</p>
<p>10. Gifts and hospitality</p>	<p>5.4 Employees (page 29)</p>	<p>1- Procurement from management of the Company's Compliance Unit of a list of Iberdrola España, S.A.U. and its subsidiary companies gifts and hospitality communicated in 2023. 2- For a sample of 5 communications selected randomly from the list in point 1 above, procurement of documentation supporting evidence of the communications made.</p>
<p>11. Training given by the Compliance Unit</p>	<p>7.1 Training (page 35)</p>	<p>1- Procurement from management of the Company's Compliance Unit of a list of training sessions given by the Iberdrola España, S.A.U. and its subsidiary companies Compliance functions in 2023. 2- Procurement from management of the Company's Compliance Unit of a list of employees trained and number of hours' training received in total training sessions given by the Iberdrola España, S.A.U. and its subsidiary companies Compliance functions, and in particular, those relative to anti-corruption and competition. 3- For a sample of 5 training sessions selected randomly from the list in point 1 above,</p>



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		procurement of documentation supporting the number of attendees and the number of hours' training.
12. Communication	7.2 Communication (page 36)	<p>1- Procurement from management of the Company's Compliance Unit of a list of internal and external compliance communication activities carried out in 2023.</p> <p>2- For a sample of 5 communication activities selected randomly from the list in point 1 above, procurement of documentation supporting the communications carried out.</p>
13. Ethics mailbox	8 Internal reporting system (page 38)	<p>1- Procurement from management of the Company's Compliance Unit of a list of communications received by the Iberdrola España, S.A.U. and its subsidiary companies ethics mailboxes in 2023 (complaints and consultations) indicating for each one whether it was admitted and the disciplinary measures adopted.</p> <p>2- For a sample of 5 communications selected randomly from the list in point 1 above, procurement of documentation supporting the communication received, whether it was admitted and any disciplinary measures adopted.</p>



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- 4- Procurement of the Compliance Unit's secretary certification approving the Transparency Report.
- 5- Procurement of a representation letter signed by the director of the Company's Compliance Unit.

We have not detected any exceptions as a result of performing the aforementioned agreed-upon procedures.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Igor Zugaza Santamaría

4 July 2024

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01. Introduction

NOTICE. This document is a translation of a duly approved Spanish-language document, and is provided for informational purposes only. In the event of any discrepancy between the text of this translation and the text of the original Spanish-language document that this translation is intended to reflect, the text of the original Spanish-language document shall prevail.

1. Introduction

Iberdrola España, S.A. (Sociedad Unipersonal) (“**Iberdrola España**” or the “**Company**”) aims to ensure that its conduct and that of the people associated with it, in addition to the legislation in force and its Governance and sustainability system, complies and conforms to generally accepted ethical and sustainable development principles.

In this regard, the Company fosters a preventive culture based on the principle of “zero tolerance” towards the commission of illegal acts and all forms of fraud and corruption.

For this purpose, the Company’s Board of Directors (the “**Board of Directors**”) has adopted the *Purpose and Values of the Iberdrola Group*, which sets out the *raison d’être* and the ideological and axiological basis of the business project of the companies belonging to the Iberdrola Group and presides over its daily activity. The contents of the *Purpose and Values of the Iberdrola Group* develops and takes shape in the *Code of ethics*, which is intended to serve as a guide for the actions of the directors, the professionals and the suppliers of the Iberdrola Group’s companies.

For clarification purposes, whenever “Iberdrola España” or the “Company” is mentioned in this report, reference is made to this company individually, whereas when references are made to the “**Group**”, they include the Company and the companies in which it has a majority interest (the “**Subsidiary Companies**”). The Group does not have its own legal personality distinct from that of each of the aforementioned companies, nor does it therefore have its own specific management bodies or offices.

In addition to the *Purpose and Values of the Iberdrola Group* and the *Code of ethics*, the Board of Directors, exercising its responsibilities, has adopted the *Compliance and internal reporting and whistleblower protection system policy and the Anti-corruption and anti-fraud policy*.

Within this context, in order to give effect to the highest ethical standards established in its Governance and sustainability system, Iberdrola España and the Subsidiary Companies have established a compliance system that includes all regulations, formal procedures, and material actions intended to ensure the conduct of the corresponding company in accordance with ethical principles, the law, and internal regulations, in particular the Governance and sustainability system, to contribute to the full realisation of the *Purpose and Values of the Iberdrola Group* and of the corporate interest, as well as to prevent, manage and mitigate the risk of breaches of regulations and ethics that may be committed by the directors, professionals or suppliers thereof within the organisation (the “**Compliance system**”).

The bodies and divisions directly entrusted with its implementation, development, and supervision are also part of the Compliance system. They are fundamental elements of the Group’s Compliance System, on the one hand, the crime prevention programmes and, on the other hand, each company’s internal reporting system, which includes their respective internal whistleblower channels for reporting possible irregular conducts or potential unlawful acts or acts contrary to the law or to the Governance and sustainability system.

The Company promotes a preventive culture based on the principle of “zero tolerance” towards all forms of fraud and corruption

To proactively ensure the effective operation of the Company's Compliance system, in 2023 the Board of Directors has created the Company's Compliance Unit (the "**Compliance Unit**" or the "**Unit**"), that has taken on, among others, the functions hitherto entrusted to the Company's Compliance Division. The Unit is a collegiate body of an internal and permanent nature, configured in accordance with the highest standards of independence and transparency linked to its Audit and Compliance Committee (the "**Audit and Compliance Committee**"), in accordance with the provisions of its Governance and sustainability system, for which it is vested with extensive powers, budgetary autonomy, and independence of action.

Similarly, in 2023, the boards of directors of the Group's head of business companies have set up their own compliance units responsible, in particular, for proactively and autonomously overseeing the implementation and effectiveness of its company's compliance system. Notwithstanding the prior existence of the corresponding compliance division in each of these companies. In addition, there are some Subsidiary Companies that do not report to any head of business company that have its own compliance officer.

Pursuant to the provisions of Governance and sustainability system, these compliance units are linked to a consultative committee of their board with specific compliance related duties, if established, or to its board of directors if it does not have one. The functions of these aforementioned compliance units include fostering a culture of ethical behaviour and based on the principle of "zero tolerance" towards irregular actions and the commission of unlawful acts or contrary to the law or to the Governance and sustainability system, as well as monitoring the application and effectiveness of the compliance systems of its companies in a proactive and autonomous manner, notwithstanding the appropriate coordination carried out at Group level.

The Unit carries out its functions in connection with the Company's Compliance System in coordination with the Compliance Unit of Iberdrola, S.A. (the "**Unit of Iberdrola, S.A.**") and coordinates those carried out autonomously by the compliance units of each of the companies in the Group.

This report, approved by the Compliance Unit on 4 July 2024, includes the main actions, initiatives and measures developed, promoted and adopted by the Unit and the different compliance units and officers of the Group's companies during 2023, which illustrate the functioning of the Compliance system of the Group's companies and highlight its effectiveness.

The Compliance Unit is linked to the Audit and Compliance Committee

02. The compliance units

2.1 Composition and duties

The Unit is a collegiate body of an internal and permanent nature linked to the Audit and Compliance Committee, and has been vested with powers related to the *Code of ethics*, the effectiveness of the Compliance system, the internal reporting system and whistleblower protection, crime prevention, separation of activities, as well all those that may be assigned thereto by the Audit and Compliance Committee or the Board of Directors, or that are attributed thereto by applicable law and the internal regulations of the Company, in particular the Governance and sustainability system.

The composition, powers and functioning of the Unit are regulated in the Company's *Compliance Unit Regulations* approved in 2023 as part of the permanent updating of the Governance and sustainability system that seeks to apply best national and international practices as well as accumulated experience, with the aim to:

- Strengthen the decentralisation of the functions and responsibilities of the compliance bodies of the Group's companies and reinforce their structure,
- Contribute to the autonomy and independence of the compliance bodies of the Group's companies.

The Unit's members are appointed by the Board of Directors, at the proposal of the Audit and Compliance Committee and hold the following positions:

- The chairman of the Unit, a position that since October 2023, and in line with the goals of the update of the Governance and sustainability system related to compliance, is held by a professional external to the Group companies and its holding company, who is an expert of recognised prestige in such matters.
- The secretary of the Unit (non-member).
- The members of the Unit, one of whom is the compliance officer of the Company (the "**Compliance Officer**"). Other members may include, but are not limited to, those responsible for different various areas or functions related to compliance risk management.

The Compliance Officer will manage the operation of the Unit and its budget and will be responsible for executing the actions included in the Annual activities plan and all those that are necessary for the Unit to proactively and autonomously perform its functions, regularly reporting to it on the performance of the aforementioned actions, and will carry out the other functions attributed to it in the regulations, and in particular, in the Governance and sustainability system.

Since its creation in November 2023, the Unit has held one session in 2023.

The Unit, represented by its Compliance Officer, regularly appears before and reports to the Audit and Compliance Committee to report on the activities, actions and incidents related to the compliance function. For these purposes, in 2023, the Compliance Officer has appeared 5 times before the Audit and Compliance Committee. In addition, the Compliance Officer has provided a specific training session to the Board of Directors.

**The Unit,
represented by
its Compliance
Officer, regularly
appears before and
reports to the Audit
and Compliance
Committee**

In 2023, the Boards of Directors of the Group's head of business companies set up compliance units in their respective companies configured as collegiate compliance bodies, with greater independence, autonomy, and transparency. The members of the compliance units are also appointed by their respective board of directors, at the proposal of the corresponding committee, if any, in accordance with the following composition:

- The chairman: an external expert of recognised prestige in compliance matters.
- The secretary of the unit (non-member): a professional of the Legal Services area of the respective company.
- The members of the unit, one of whom is the compliance officer of the corresponding company. Other members may include, but are not limited to, those responsible for different various areas or functions related to compliance risk management.

The compliance units of the Group's head of business companies are set up as independent and autonomous internal areas, linked to their respective governance bodies, responsible for proactively and autonomously overseeing the implementation and effectiveness of their respective company's compliance system, which includes, among other regulations and procedures, the crime prevention programme.

The units also periodically report to their governance bodies or their audit and compliance committees, as appropriate, on the most relevant issues of the activities carried out by the compliance function during the year. The separation and appointment of the members of the units correspond to the board of directors of the respective head of business company.

**Budgetary
autonomy and
independence of
action**

The Unit relates to the Unit of Iberdrola, S.A. through the *General coordination, collaboration and information protocol* which, approved by the latter in accordance with the provisions of Governance and sustainability system, regulates the relations between them. In addition, the Unit relates to the compliance units and officers of its Subsidiary Companies, through the provisions of the *Protocol for coordination, collaboration and information of the Compliance Unit of Iberdrola España, S.A.U.* which, approved by the Unit in accordance with the provisions of the Governance and sustainability system, governs the relations between them. Notwithstanding their management autonomy, the compliance units and officers shall endeavour to coordinate their actions and to comply with the general guidelines issued by the Unit of Iberdrola, S.A. to ensure the effectiveness of the Compliance System of the Iberdrola Group companies.

In 2023, 27 coordination meeting with members of the compliance function of Iberdrola, S.A. and/or the Subsidiary Companies have been held.

23 appearances
of compliance officers before their respective
governing bodies in 2023

2.2 Budget and resources

390 thousand euros
budget at Iberdrola España and its Subsidiaries

Both the *Compliance Unit Regulations* and the regulations of the different compliance units establish that the compliance function will have the necessary material and human resources to perform their functions. Thus, on an annual basis, the respective governing bodies approve the budget of the Unit and of the compliance units, giving them the necessary autonomy and independence for the exercise of their functions.

7.5 full-time professionals
at Iberdrola España and its Subsidiaries

2.3 Professional qualification

The compliance officers and the other professionals who work in the compliance function have proven knowledge, experience, and skills to perform their duties. The chairpersons of the Unit and of the compliance units are external professionals of recognised standing in the field of Compliance.

The main certifications in terms of compliance that have been obtained by professionals in the compliance function are as follows:

- Certified Compliance & Ethics Professional (CCEP) issued by the Compliance Certification Board (CCB) of the Society of Corporate Compliance and Ethics (SCCE).
- Leading Professional in Ethics and Compliance (LPEC), issued by Ethics and Compliance Officer Association (ECOA).
- Certified Fraud Examiner (CFE) issued by the Association of Certified Fraud Examiners (ACFE).
- Certificate of Compliance (CESCOM), issued by the Spanish Compliance Association (ASCOM).
- International Compliance Officer Certificate (CICO), issued by the Institute of Compliance Officials (IOC).

Training and updating the knowledge of compliance professionals is one of the commitments promoted by the Unit. Accordingly, during 2023, the members of the compliance function of Iberdrola España and its Subsidiary Companies have spent a total of 125 hours on various ethics and compliance training activities.

16.7 hours of training
received on average by the professionals
of the compliance function

03. Compliance risk analysis and assessment

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The Unit and the compliance units periodically update the compliance risk map, following the guidelines set out in the *Compliance risk assessment guide* approved by the Unit of Iberdrola, S.A. This assessment includes the evaluation of the likelihood of the materialisation of each of the risks and the impact that such materialisation would have.

These risk maps are drawn up on the basis of a homogeneous risk inventory for the Iberdrola Group's perimeter and using a common methodology. The risks to be assessed are shown in the following table:

Crime prevention
Harassment
Money laundering and the financing of terrorism
Supply chain
Cybercrime
Competition
Conduct in the securities markets
Smuggling
Corruption and fraud
Workers' rights
Discrimination
Embezzlement
Falsifying of public information
Fraud against public authorities and Social Security
Criminal insolvency
Impeding third-party supervision
Permits, licences and authorisations
Health & Safety
Intellectual and industrial property
Consumer protection
Data protection
International sanctions
Trade secrets
Facility safety, environment, and public health

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109 managers

have participated in the risk assessment

Each compliance unit analyse the possible existence of such risks in each of the corporate areas and businesses of its respective company. In the risk assessment process, the managing team responsible for said areas and businesses is involved. Thus, in 2023 the professionals of the compliance function of the Group companies have held meetings with a total of 109 Group managers to conduct the risk assessment for the year.

The information obtained is used to draw up the compliance risk map for each entity, identifying the main controls in place within the Group's perimeter to mitigate them and proposing, where appropriate, improvement actions to reinforce the effectiveness of these controls.

In 2023, the Compliance system of Iberdrola España and its Subsidiaries has been supported by 1,051 formalised controls and 1,871 pieces of evidence regarding its correct functioning have been generated. This process has involved 471 professionals in key positions responsible for accrediting the correct functioning of controls.

The risk maps of each company are regularly updated by their respective compliance units.

1,871 pieces of evidence

of the correct functioning of controls

04. Regulations

4. Regulations

The Compliance system of Iberdrola España and its Subsidiaries is structured on the basis of: (i) certain regulations either approved by the board of directors of Iberdrola, S.A. and adopted by the governance bodies of Iberdrola España and of its Subsidiary Companies, or approved by the governance bodies of those companies that are part of their Governance and sustainability system; and (ii) the complementary regulations developed, approved and/or adopted by each compliance unit under the powers granted to them by their corresponding regulations.

Regulations approved or adopted by the Board of Directors of Iberdrola España ¹	Regulations approved or adopted by the compliance units
Code of ethics	General coordination, collaboration, and information protocol
Compliance and internal reporting and whistleblower protection system policy	Coordination, collaboration, and information protocol of the Compliance Unit of Iberdrola España, S.A.U.
Anti-corruption and anti-fraud policy	Protocol for corporate transactions
Compliance Unit Regulations of Iberdrola España	Protocol for contributions of social content, donations, and sponsorships
Code for the Separation of Activities of Iberdrola España Group companies with regulated activities	Protocol for the management of the risk of fraud and corruption of third parties
Procedure for related-party transactions with senior management and delegated related party transactions	Action protocol for the business relationship with the Public Administration
	Action protocol for fair competition
	Action protocol with respect to gifts and hospitality
	Protocol for action in the event of notification of judicial and administrative sanctioning proceedings
	Compliance risk assessment guide
	Third-party risk assessment guide
	Guide on how to carry out the background check prior to taking up managerial duties

Moreover, the Compliance system of the Group's companies includes another 263 procedures and internal regulations specific to the different areas and businesses of the companies that make up the Group that also contribute to effectively prevent the commission of crimes and other irregular conducts. These regulations are periodically updated and are monitored by the compliance units to assess their preventive potential.

1. The regulations approved by the Board of Directors (except for the *Procedure for related party transactions with senior management, and delegated related party transactions*) are available at www.iberdrolaespana.com

05. Risk management

5.1 Assessment of third parties

Pursuant to the provisions of the *Protocol for the management of the risk of fraud and corruption of third parties*, suppliers and debtors of the Group companies are assessed on fraud and corruption.

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

The risk assessment of the third party considers, among other matters:

- Links with countries considered by the compliance function as having a higher than normal risk.
- International sanctions.
- Adverse media or incidents in the field of:
 - Human rights.
 - Modern slavery and child labour.
 - Corruption and bribery.
 - Anticompetitive practices.
 - 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.

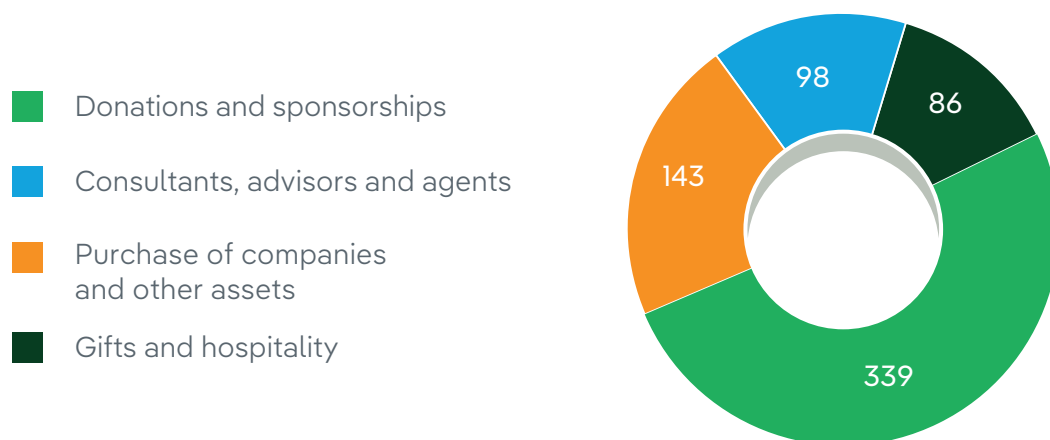
Suppliers and debtors considered to present a critical risk are blocked in the systems, which prevents the formalisation of any transaction or payment in relation to them.

920 third party assessments

carried out in 2023

After the initial screening upon registration, the Group's suppliers and debtors are monitored on a daily basis through the fraud and corruption databases (ongoing screening). The compliance function is automatically alerted as soon as there is a new development concerning one of the Group's suppliers and debtors and immediately analyses it to update the risk assessment of that supplier or debtor.

NUMBER OF TRANSACTIONS SUPERVISED BY COMPLIANCE (CLASSIFIED BY NATURE)



The contracts entered into by the Group's companies include specific ethics clauses and provisions against corruption and fraud that bind the third-party to business ethics and integrity.

5.2 Sustainability - Development of suppliers

The compliance function, in line with the Iberdrola group's strategic goals on sustainability, encourages the development of compliance systems in the third parties with which it interacts.

In coordination with the Procurement Division, the compliance function maintains regular contact with strategic suppliers to promote the implementation in their organisations of effective compliance systems aligned with the principles set out in the Governance and sustainability system.

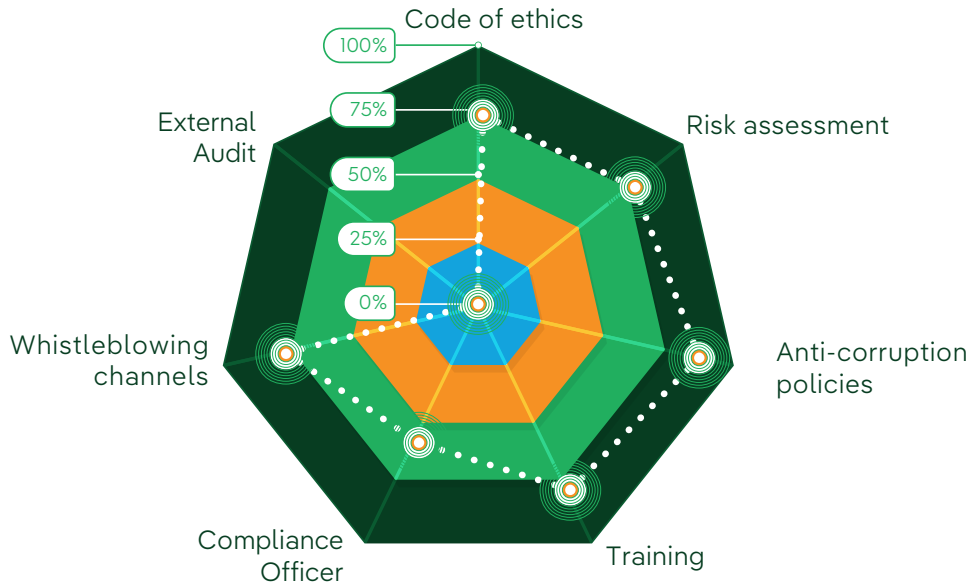
The impact of these actions is monitored through the evolution of the supplier's score in the supplier assessment model developed by the Procurement Division according to ESG criteria (*Environmental, Social and Governance*).

1,964 main suppliers
of the Iberdrola Group's companies
have a robust compliance system²

2. A score of 7 out of 10 or more in the ethics and compliance section of the supplier assessment model.

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PRESENCE OF ELEMENTS OF A COMPLIANCE SYSTEM AT THE IBERDROLA GROUP SUPPLIERS³



The compliance function is proactively requesting its key suppliers to have their ethics and compliance systems audited by an independent third party.

In addition, in 2023 3 training sessions on ethics and compliance have been held for Iberdrola España and its Subsidiary Companies' suppliers, attended by 45 people.

5.3 Strategic projects

The *Investment policy* approved by the board of directors of Iberdrola, S.A. and adopted by the governance bodies of Iberdrola España and its Subsidiary Companies involves the compliance function in strategic decisions, establishing the need for an analysis of the potential risk of fraud and corruption associated with each investment or divestment project prior to approval. In 2023, the compliance function of Iberdrola España and its Subsidiary Companies have assessed a total of 13 projects.

3. Information on the 4,125 suppliers with the highest turnover to the Iberdrola Group companies.

5.4 Employees

Background checks

The Unit and the compliance units carry out prior checks on the persons who assume management functions in their respective companies, by analysing publicly available information, to ensure their suitability from a compliance perspective (background checks).

In 2023, the compliance function has carried out 76 background checks on members of the management teams of Iberdrola España and its Subsidiary Companies. None of the candidates were rejected as a result of these assessments.

76 background checks
to the management team

Conflicts of interest

In accordance with the provisions of the *Code of ethics*, professionals are obliged to report in writing any conflict of interest situations in which they find themselves.

In 2023, the compliance function collected statements of conflicts of interest from members of the management team and certain professionals in key positions in Iberdrola España and its Subsidiary Companies. As a result of this process and of spontaneous employee communications received reporting potential situations of conflict of interest, 820 statements have been collected.

Following the analysis of all communications, the compliance function recommended specific preventive measures in 11 cases.

820 conflict of interest
communications

Related transactions

In accordance with the provisions of the Company's *Procedure for related party transactions with members of senior management and delegated related party transactions* and similar regulations applicable in the Group's head of business companies, the Unit, and the compliance units have sought 43 statements from the members of senior management of their respective companies about:

- a) any conflicts of interest that they or their related parties may have with Group companies;
- b) and any related-party transactions they intend to carry out.

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Gifts and hospitalities

The *Protocol for gifts and hospitality* sets out the principles to be observed by professionals for the offer and acceptance of gifts from third parties in the professional environment.

The compliance function in Iberdrola España and its Subsidiary Companies has handled 41 enquiries related to the acceptance of gifts and hospitalities received, especially during the Christmas season.

41 queries
regarding gifts and hospitalities

Compensation and performance

All persons joining the Iberdrola Group formally commit to comply with the ethical and transparency principles established in our *Code of ethics*.

As evidence of this strong commitment, the Group's strategic goals include a series of ESG (*Environmental, Social and Governance*) indicators, among which are goals related to the Compliance system. The achievement of these goals is linked to the variable remuneration of the management team throughout the Group.

In addition, the performance of each employee in accordance with ethics and transparency principles is one of the basic pillars of the annual performance review process, in which both the employee and their immediate supervisor participate.

5.5 Competition

In accordance with the provisions of the *Action protocol for fair competition*, a series of measures and controls have been implemented with the aim of ensuring compliance with the legislation in force in this area in the following areas:

Risk	Scope	Risk	Scope
Collusion	Retail of energy	Unfair competition	Contracting
	Wholesale market		Grid management
	Tenders and public auctions	Concentrations	Consortia
	Corporate transactions		
Abuse of dominance	Retail of energy	Provider/Supplier relationships	Tenders

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5.6 Prevention of money laundering

Despite Iberdrola España and its Subsidiary Companies not being subject to *Law 10/2010, of 28 April, on money laundering and financing of terrorism*, the risk of committing this type of crime is included in their respective crime prevention programmes. Therefore, all companies have controls in place to suitably cover this risk.

06. Separation of activities

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6. Separation of activities

The sector regulations applicable to the electricity and gas sector in Spain ensure the proper functioning of the essential services intended to guarantee the supply of electricity and gas. Such regulations allow for the performance of certain activities, such as the production and the sale (liberalised activities), under the free competition system, in comparison with others that, due to the nature thereof, must be carried out as a natural monopoly, including the electricity and gas distribution and transmission/transportation (regulated activities).

According to the sector regulations in force in Spain, one same company cannot carry out regulated and liberalised activities, but different companies of the same group can, provided that certain criteria of independence in the management of regulated activities are observed, as happens in the group formed by Iberdrola España and its Subsidiaries.

Iberdrola España has specific internal regulations on this matter, compliance with which is monitored annually by the Unit.

07. Training and communication. Ethical culture

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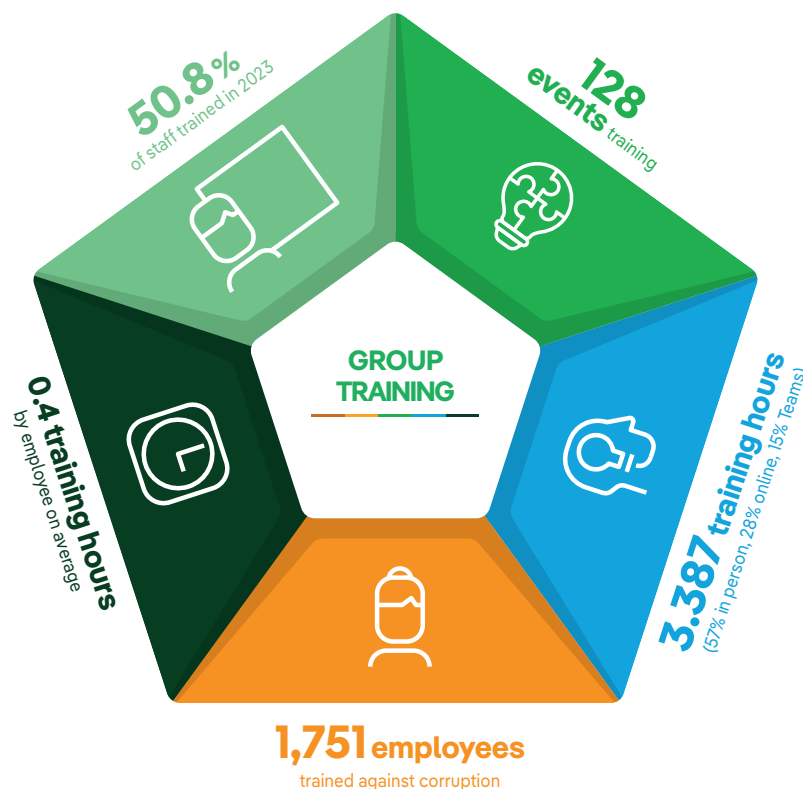
7.1 Training

Training is one of the fundamental pillars of the compliance function and of the awareness of and compliance with the *Code of ethics* by all professionals in Iberdrola España and its Subsidiary Companies. Accordingly, the Unit and compliance units plan their training activity annually in collaboration with the corresponding People and Organisation divisions.

The training strategy stems from global training initiatives for the professionals of Iberdrola España and its Subsidiary Companies on compliance issues of a general nature and applicable to the majority of the workforce, and additionally develops specific training plans for certain groups of professionals for whom special and specific compliance risks have been identified. Thus, the Global Compliance Training Plan includes training activities specifically adapted to:

- Board members.
- Senior management.
- New hires.
- Managers and team leaders.
- Staff in key positions to mitigate risks.
- All other employees.
- Value chain.

For all this, the Unit and the compliance units use different training formats such as online courses, telematic courses, videos and face-to-face training sessions given by external professionals or by those responsible for the compliance function.



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7.2 Communication

The dissemination and communication of the Group’s ethical principles and the key elements of the Compliance system of Iberdrola España and its Subsidiary Companies is one of its essential elements.

The Unit has a Communication Plan for the 2023-2025 period with the following objectives:

- Ensuring that employees perceive the value of that Compliance actions entail for themselves on a personal level.
- Raising the awareness of professionals about the most relevant risks associated with their professional activity and the regulations or recommendations to minimise them.
- Promoting the participation of professionals in the Compliance activities that require it.
- Encouraging the involvement of the senior and middle management in spreading the compliance culture among their teams.

For communication activities, the different available tools and channels have been used, selecting the most effective according to the specific features of each case. The support, collaboration and advice of the Communications Division have been available.

Number of communication initiatives

Internal activities		External activities	
Mailing	11	Events	3
Newsletter	3	Press	2
Employee portal	13	Corporate website	2
Information screens	1	Mailing	1
Video	2		
WhatsApp	1		
TOTAL	31	TOTAL	8

Among the numerous communication activities carried out during 2023, the video addressed at employees in which the CEO of Iberdrola España analysed the results of the last ethical culture survey and encouraged employees to make use of the whistleblower channels, while recalling Iberdrola’s absolute rejection of any type of retaliation stands out.

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7.3 Ethical culture survey

The Unit and the compliance units conduct among the employees a survey aimed at measuring the degree of ethical culture at the Iberdrola Group companies and monitoring its evolution over time. This survey, which is conducted every other year and is addressed to all employees, covers the following aspects:

- Knowledge of the Compliance system.
- Perception of the compliance function.
- Irregularities observed and reported.
- Pressure to commit irregularities.
- Organisational justice.
- Perception of the integrity of peers, managers, and senior management.

The latest survey to date (2022), in which 3,909 employees in Spain participated (43.33% of the workforce), show that these employees rate the ethical culture existing at Iberdrola highly.

3,909 employees
have participated in the ethical culture survey

08. Internal reporting system

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8. Internal reporting system

Monitoring activities are conceived as detection and control mechanisms for verifying the effectiveness of preventive measures. They also enable the continuous improvement of the Compliance system. The key element for detecting irregular conduct are the communication and claim channels enabled in the Group.

The management of the internal whistleblower channels provided for in the *Code of ethics* and in the *Compliance and internal reporting and whistleblower protection system policy* correspond to the Unit and the compliance units of the different Group's companies.

The Group's internal whistleblower channels are configured as tools made available to all shareholders, directors, professionals, suppliers and other third parties as determined by law to report any conduct that may involve the commission of any irregularity or any act that is unlawful or contrary to the law or to the Governance and sustainability system. Moreover, these channels may be used to make enquiries about aspects relating to the interpretation and compliance of the *Code of ethics* and any other issue related to compliance matters. All communications received through these channels are considered confidential information and, in the case of complaints, may be anonymous.

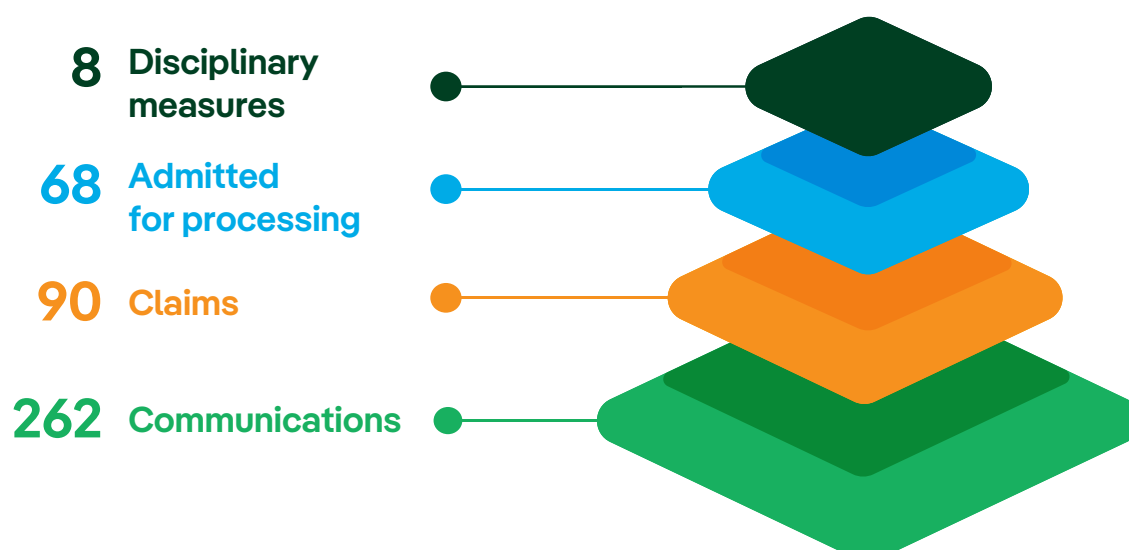
The Group's companies have established for the members of their governance body, employees, suppliers as well as for other third parties determined by the applicable regulations the obligation to report, through the aforementioned internal channels, about any irregularity they are aware of.

In all cases, there is a firm express Group's commitment, reflected in the *Code of ethics*, in the *Anti-fraud and anti-corruption policy*, in the *Compliance and internal reporting and whistleblower protection system policy* and in the remaining internal procedures and regulations on the matter, with the prohibition of retaliation against those using the aforementioned internal channels, except in cases of bad faith.

These internal whistleblowing channels, that enable anonymous reports, are available in the Group's companies web pages as well as the employee's portal.

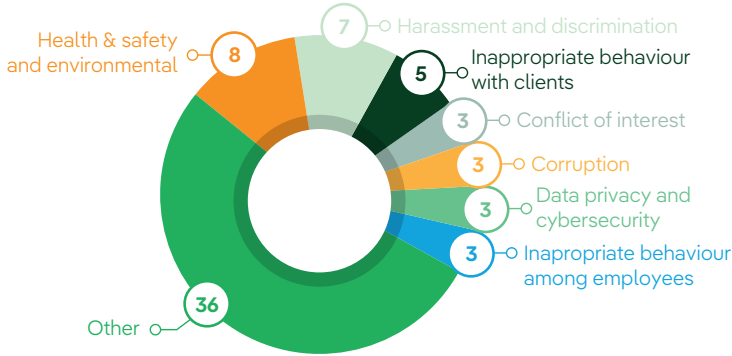
The processing of the claims and queries made through the internal whistleblowing channels falls to the competent compliance unit, as applicable. They both are an essential source of information to identify improvements to the Compliance system and additional prevention and control mechanisms.

A total of 262 communications were received by Iberdrola España and its Subsidiary Companies through the internal information channels in 2023, of which 172 were queries and 90 claims.

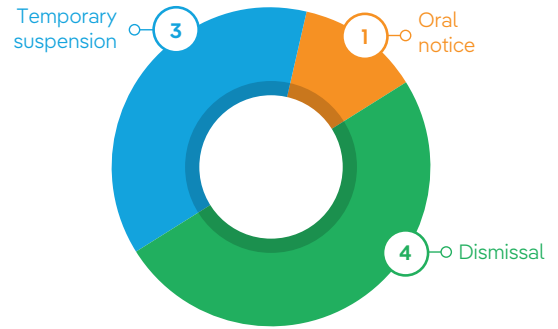


Of the 90 claims, 68 have been admitted for processing, of which 21 have been classified as having a potential human rights impact.

CLAIMS ADMITTED FOR PROCESSING



DISCIPLINARY MEASURES



In 2023 8 disciplinary measures have been adopted in Iberdrola España and its Subsidiary Companies as the existence of irregular conduct or conduct contrary to internal regulations or to the *Code of ethics* was proved.

The professionals of Iberdrola España and its Subsidiaries rely on the channels provided to make their claims or queries; this can be seen from the rate of communications received, which amounts to 3.1 communications per 100 employees.

3.1 communications
per 100 employees

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09. Monitoring and review

9.1 Monitoring indicators

The Unit supervises the effectiveness of the Compliance System of Iberdrola España and its Subsidiaries on a periodic basis by reviewing the indicators of the main compliance risks (KRIs) as well as the effectiveness of the activity of the compliance units (KPIs). The indicators cover the following aspects, among others:

- Operations in countries considered by the compliance function to be above a normal level of risk.
- Third-party risk assessment.
- Internal whistleblowing channel activity.
- Monitoring risky operations.
- Ethical development of suppliers.
- Training activities.
- Internal and external communication initiatives.
- Conflicts of interest.
- Employee background checks.
- Gifts and hospitality given and received by professionals.
- Legal proceedings involving professionals as result of their professional activity and work in the Group.
- Audits and reviews of the Group companies' compliance systems.

9.2 Internal audit

Internal Audit, as an independent function, carries out periodic audits of the compliance system of Iberdrola España and its Subsidiary Companies, making the appropriate recommendations for their continuous improvement.

The Internal Audit Division formalised a coordinated assurance approach to the monitoring of the Compliance system, which has three main lines of action:

a • Internal Audit activity plan

In general, Internal Audit carries out an on-going review of the Compliance system through the audit work included in the annual activity plans approved by the respective governance bodies. These plans are focused on covering the most relevant risks of any nature faced by the company, including, among others, reputational, regulatory and/or compliance risks.

b • Specific review of the areas of the Compliance System

Specifically and on a multi-annual basis, a review of the areas comprising the Compliance system:

- *Code of ethics*, in relation to the specific competencies entrusted to the Unit and the compliance units.
- *Crime prevention programmes* (related policies, procedures, and protocols).
- Separation of regulated activities.

c · Collaboration in investigations and allegations that may affect the Internal Control System

At the request of the Unit or the compliance units, the Internal Audit division will collaborate with the formers in investigations that may affect the corresponding companies' Internal Control System.

In this framework, during 2023 the Internal Audit division, among others, has carried out a specific audit of the functioning of the Internal reporting system (whistleblowing channel).

The proposed recommendations have been incorporated to an action plan to monitor its implementation.

9.3 External reviews

ISO 37001 certification “Anti-bribery management systems” and UNE 19601 “Criminal compliance management system”

In 2023, AENOR has certified the Compliance system of Iberdrola España and its Subsidiary Companies in accordance with:

- I. the UNE 19601 standard on criminal compliance management systems, and/or
- II. the UNE-ISO 37001 standard on anti-bribery management systems.

These certifications were first obtained by the Company in 2018.

External audit of the crime prevention programmes

In 2023, the law firm Uría Menéndez has issued an external audit report on the effectiveness of the crime prevention programmes implemented in the different Spanish companies of the Group. The review concludes that these programmes incorporate and adopt the best international practices, are effective and are useful in significantly reducing the risk of commission of the crimes that they seek to prevent. The evaluation work also led to certain recommendations for improvement, implementation of which is being coordinated by the Unit and the respective compliance units.

Crime prevention programmes have been subject to the aforementioned annual audit since 2015.

Internal reporting system audit

In 2023, Tarlogic has completed an independent audit of the operation of the internal reporting channels (whistleblowing channels). The main objectives of this audit have been the following:

- Verify that upon reception of an anonymous report through the internal reporting channel form, it is materially impossible to find out the identity of the whistleblower.
- Guarantee that the content of the reports received through the internal reporting channel is not accessible to third parties or any other person that is not a user of the tool used for claims management.

After the assessment carried out and based on the obtained evidence, it has been concluded that the implemented security measures ensure the confidentiality, completeness and availability of the data managed by the platform.

**The
Compliance
system is
audited
externally
every year**

10. Dissemination and promotion of business ethics

10. Dissemination and promotion of business ethics

The compliance function carries out activities aimed at promoting the adoption of effective compliance systems in the business fabric, as well as the development and professionalisation of the compliance function in organisations.

In line with the above, during the year, Iberdrola has continued to head an innovative project to develop a platform using blockchain technology to streamline and provide guarantees to the process of assessing the compliance of third parties. This project is being carried out with the collaboration of the Spanish Association of Registrars, Deloitte and the Institute of Compliance Officers.

