



**Iberdrola Group Companies
Compliance System Transparency
Report
2023**

May 2024





Iberdrola, S.A.

Report on agreed procedures on the transparency report of the Compliance System
of the Iberdrola Group companies



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Agreed-upon procedures report on the Iberdrola Group Companies' 2023 Compliance System Transparency Report

To the Compliance Unit of Iberdrola, S.A.

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 Group Companies' 2023 Compliance System Transparency Report (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, S.A. (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, S.A. for damage and loss arising from misconduct or negligence on our part in the provision of these services is that specified in our engagement letter dated 8 May 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 (ISQM1), "*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 Group Companies 2023 Compliance System Transparency Report" 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 Group 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 the Compliance Unit’s budget for 2023 approved by Iberdrola, S.A.’s Sustainable Development Committee. 2- Procurement of the Control Management Report detailing the amount budgeted for the Compliance function and monitoring of actual vs. budgeted expense. 3- Corroboration that the budget approved for the Compliance Unit 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 Group companies' employees working solely for the Compliance Unit 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 Unit in the Iberdrola Group 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 Compliance Unit 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 (Group 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>
<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 Compliance</p>



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		<p>Unit in 2023 classified by nature of the risk.</p> <p>2- For a sample of 5 transaction selected randomly from the list in point 1 above, procurement of documentation supporting the supervision carried out by the Compliance Unit.</p>
7. Robust principal supplier compliance system	5.2 Sustainability - Development of suppliers (page 27)	<p>1- Procurement from management of the Company's Compliance Unit of the criteria followed by the Compliance Unit in 2023 for classifying the supplier compliance system.</p> <p>2- Procurement from management of the Company's Compliance Unit of a list of principal suppliers together with the Compliance Unit's compliance evaluation.</p> <p>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 by the Compliance Unit.</p>
8. Background checks of the management team	5.4 Employees (page 29)	<p>1- Procurement from management of the Company's Compliance Unit of a list of background checks made in 2023.</p> <p>2- For a sample of 5 background checks selected randomly from the list in point 1 above, procurement of documentation supporting the evaluation carried out by the Compliance Unit.</p>
9. Conflicts of interest	5.4 Employees (page 29)	<p>1- Procurement from management of the Company's Compliance Unit of a list of conflicts of interest</p>



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		<p>communicated to the Compliance Unit in 2023.</p> <p>2- For a sample of 5 communications selected randomly from the list in point 1 above, procurement of documentation supporting communications received by the Compliance Unit.</p>
10. Gifts and hospitality	5.4 Employees (page 29)	<p>1- Procurement from management of the Company's Compliance Unit of a list of gifts and hospitality communicated in 2023.</p> <p>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 to the Compliance Unit.</p>
11. Training given by the Compliance Unit	8.1 Training (page 38)	<p>1- Procurement from management of the Company's Compliance Unit of a list of training sessions given by the Compliance Unit in 2023.</p> <p>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 Compliance Unit, and in particular, those relative to anti-corruption.</p> <p>3- For a sample of 5 training sessions selected randomly from the list in point 1 above, procurement of documentation supporting the number of</p>



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		attendees and the number of hours' training.
12. Communication	8.2 Communication (page 39)	1- Procurement from management of the Company's Compliance Unit of a list of internal and external compliance communication activities carried out in 2023. 2- For a sample of 5 communication activities selected randomly from the list in point 1 above, procurement of documentation supporting the communications made.
13. Ethics mailbox	9 Internal reporting System (page 41)	1- Procurement from management of the Company's Compliance Unit of a list of communications received by the ethics mailbox in 2023 (complaints and consultations) indicating for each one whether it was admitted and the disciplinary measures adopted. 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.
14. Dissemination and promotion of business ethics	12 Dissemination and promotion of business ethics (page 51)	1- Procurement from management of the Company's Compliance Unit of a list of the business ethics dissemination and promotion initiatives carried out in 2023. 2- For a sample of 3 communications selected randomly from the list in point 1 above, procurement of documentation supporting



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		evidence that the initiative was carried out and the related cost.
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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

30 May 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, S.A. (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 promotes a preventive culture based on the principle of “zero tolerance” towards the commission of illegal acts and all forms of fraud and corruption.

The Company’s Board of Directors (the “**Board of Directors**”) has approved 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 (the “**Group**” or 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 Company’s *Code of ethics*, which is intended to serve as a guide for the actions of the directors, professionals and suppliers of the Group’s companies.

For purposes of clarification, whenever “Iberdrola, S.A.” or the “Company” is mentioned in this report, reference is made to this company individually, whereas when references are made to the “Group” or the “Iberdrola Group”, they include the Company and the companies in which it has a majority interest. The Iberdrola 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 responsibility of devising the Company’s strategy and approving its corporate policies, has approved 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 and the companies of the Iberdrola Group 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 Group’s Compliance System. The fundamental elements of the Iberdrola Group’s Compliance System are, 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 conduct or potential unlawful acts or acts contrary to the law or to the Governance and sustainability system.

In order to proactively ensure the effective operation of the Company’s Compliance System, in 2012 the Board of Directors created the Compliance Unit of Iberdrola, S.A. (the “**Unit**”), a collegiate body of an internal and permanent nature, configured in accordance with the highest standards of independence and transparency linked to its Sustainable Development Committee (the “**Sustainable Development 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 *subholding* companies and head of business companies of the Group set up their own compliance units responsible, in particular, for proactively and autonomously overseeing the implementation and effectiveness of the compliance system for their respective company. Notwithstanding the prior existence of the corresponding compliance division in each of these companies.

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

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Pursuant to the provisions of Iberdrola's Governance and sustainability system, these compliance units are linked to a consultative committee of their board of directors 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 'zero tolerance' towards irregular actions and the commission of unlawful acts or acts 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 and coordinates those carried out autonomously by the compliance units of each of the companies in the Group.

This report, approved by the Unit on 29 May 2024, includes the main actions, initiatives and measures developed, promoted and adopted by the Unit and the different compliance units 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 Sustainable
Development
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 Sustainable Development Committee, and has been vested with powers related to the *Code of ethics*, the effectiveness of the Compliance System and with the internal reporting and whistleblower protection system, with respect to crime prevention, the securities market, and the separation of activities, as well as all those that may be assigned thereto by the Sustainable Development Committee or the Board of Directors or that are attributed thereto by applicable law and the internal regulations of the Company, in particular, Iberdrola's Governance and sustainability system.

The composition, powers and functioning of the Unit are regulated in the *Compliance Unit Regulations*. Specifically, during 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, modifications were made to the aforementioned regulations and the composition of the Unit. The purpose of said amendments is:

- 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 companies.

The members are appointed by the Board of Directors, at the proposal of the Sustainable Development Committee, following a report from the Company's Appointments Committee, and hold the following positions:

- The chairman of the Unit, a position that since June 2023 and in line with the goals of the update of the Governance and sustainability system in compliance matters, is held by a professional external to the Group companies, 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 persons may include, but are not limited to, those responsible for different 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 the Unit 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.

During the 2023 financial year, the Unit held seven meetings.

The Unit, represented by its Compliance Officer, appears and reports regularly to the Sustainable Development Committee to report on activities, actions and incidents related to the compliance function. In 2023, the Compliance Officer reported 3 times to the Sustainable Development Committee and 1 time to the Company's Audit and Risk Supervision Committee.

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

In 2023, the boards of directors of the *subholding* and head of business companies set up compliance units in their respective companies as collegiate compliance bodies with greater independence, autonomy and transparency. The members of the above-mentioned units are also appointed by their respective boards of directors, upon proposal, if any, of the corresponding committee, in accordance with the following composition:

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

The compliance units of the *subholding* and 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 report periodically to their governance bodies or their audit and compliance committees, as appropriate, on the most relevant aspects of the activities carried out by the compliance function during the year. The separation and appointment of the members of the units is the responsibility of the board of directors of the *subholding* and head of business companies.

The units of the *subholding* companies relate to the Unit through the *General coordination, collaboration and information protocol* which, approved by the Unit in accordance with the provisions of the Governance and sustainability system, regulates the relations between them. Notwithstanding their management autonomy, the units shall endeavour to coordinate their actions and to comply with the general guidelines issued by the Unit in order to ensure the effectiveness of the Compliance System of the companies of the Group.

In 2023, 36 coordination meetings were held between the Compliance Officer and the compliance officers of the *subholding* companies.

**Budgetary
autonomy and
independence of
action**

134 appearances
of compliance officers before their respective
governance bodies in 2023

2.2 Budget and resources

10.3 million euros
in the Group's budget

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 the compliance units, giving them the necessary autonomy and independence for the exercise of their functions.

57 employees
in the Group's companies
that work full time

2.3 Professional qualifications

Compliance officers and the other professionals who work in compliance 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 (ECO).
- 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 Officers (IOC).

Training and updating the knowledge of compliance professionals is one of the commitments promoted by the Unit. Accordingly, during the 2023 financial year, compliance professionals spent a total of 1,396 hours on various ethics and compliance training activities.

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

2.4 Professional profile

The Unit and the compliance units, aware that the development and maintenance of an effective compliance system requires different professional profiles, ensures that the people who make up the compliance teams have training in different complementary areas. Thus, the Compliance team is made up of people trained in the following areas:

- Business Management and Administration
- Data analytics
- Law
- Engineering
- Technology
- People management

03. Compliance risk analysis and assessment

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The Unit and the compliance units regularly update the compliance risk map, following the guidelines set out in the *Compliance Risk Assessment Guide* approved by the Unit. This assessment includes an assessment 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 Group's perimeter and using a common methodology. The risks to be assessed are shown in the table below:

Risks
Harassment
Money laundering and the financing of terrorism
Supply chain
Cybercrime
Competition
Conduct in the securities market
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 and safety
Intellectual and industrial property
Consumer protection
Data protection
International sanctions
Trade secrets
Facility safety, environment and public health

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364 managers

have participated in the risk assessment

Each compliance unit analyses 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, during the 2023 financial year, compliance professionals met with a total of 364 managers to conduct the risk assessment for the year.

The information obtained is used to draw up the compliance risk map for each entity, which is updated periodically, 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 the Group's companies had 1,686 formalised controls and 3,190 pieces of evidence regarding its correct functioning were generated. This process has involved 786 employees 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.

3,190 pieces of evidence

of the correct functioning of the Group's controls

04. Regulations

4. Regulations

The Group companies' Compliance system is structured on the basis of: (i) certain regulations approved by the Board of Directors and which form an integral part of the Governance and sustainability system; and (ii) of the complementary regulations developed and approved by each compliance unit under the powers granted to it by its respective Regulations.

Internal regulations approved by the Board of Directors ¹	Regulations approved by the compliance units
Code of ethics	General coordination, collaboration and information protocol
Compliance and internal reporting and whistleblower protection system policy	Protocol for corporate transactions
Anti-corruption and anti-fraud policy	Protocol for contributions of social content, donations and sponsorships
Internal Regulations on Conduct in the Securities Markets	Protocol for the management of the risk of fraud and corruption of third parties
Internal Regulations for the processing of inside information	Action protocol for fair competition
Procedure for related party transactions with senior management, delegated related party transactions and of related-party transaction lines	Action protocol for the business relationship with the Public Administration
Compliance Unit Regulations	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

In addition, the Compliance System of each of the Group's companies includes another 503 procedures and internal regulations specific to the different areas and businesses of the companies that make up the Group, which also help to effectively prevent crimes and other irregular conduct being committed. These regulations are regularly updated and monitored by the Compliance divisions 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, delegated related party transactions and of related-party transaction lines*) are available at www.iberdrola.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.
 - Competition.
 - Other irregularities and unlawful conduct.
- Links with persons with public responsibility or public entities.

Based on this analysis, the compliance function assesses the fraud and corruption risk of suppliers and debtors and records this assessment 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.

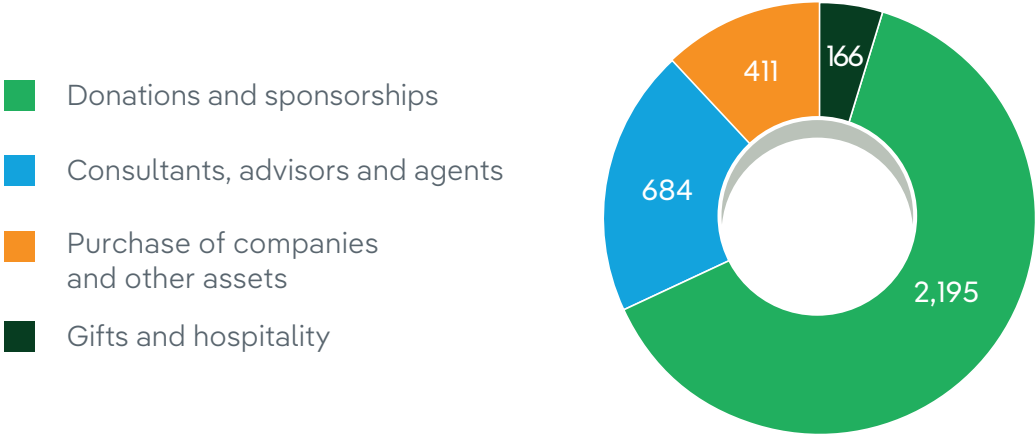
Suppliers and debtors considered as posing a critical risk are blocked in the systems, which prevents the formalisation of any transaction or payment in relation to them.

4,363 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 relevant 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 in order 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 clauses on ethics and anti-corruption and anti-fraud provisions that bind the third party to business ethics and integrity.

5.2 Sustainability - Development of suppliers

The compliance function, in line with the 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 in order to promote the implementation in their organisations of effective compliance systems aligned with the principles set out in the Governance and sustainability system.

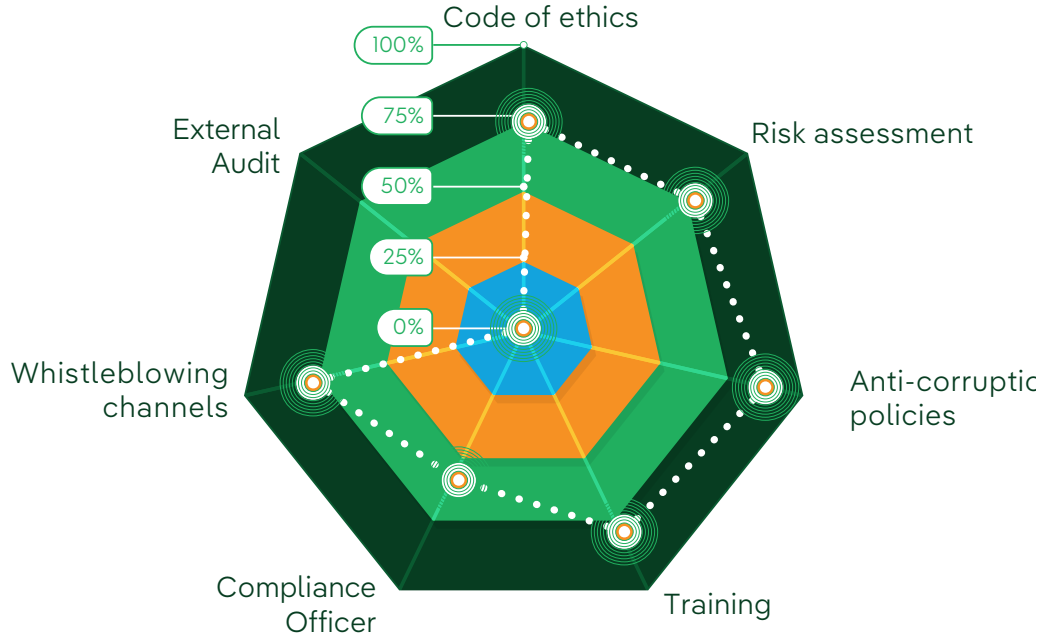
The impact of these actions is monitored through the evolution of the supplier’s score in the supplier assessment model developed by the Procurement Division according to ESG criteria (Environmental, Social and Governance).

1,964 main suppliers
have a robust compliance system²

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

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PRESENCE OF ELEMENTS OF A COMPLIANCE SYSTEM AT THE 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, 65 training sessions for suppliers on ethics and compliance were held in 2023, attended by 4,353 people.

5.3 Strategic projects

The *Investment policy* approved by the Company's Board of Directors involves the compliance function in strategic decisions, establishing the need for an analysis of the possible risk of fraud and corruption associated with each investment or divestment project prior to its approval. During 2023, the compliance function assessed a total of 65 projects.

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

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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, in order to ensure their suitability from a compliance perspective (*background checks*).

In 2023, the compliance function carried out 794 *background checks* on members of the management teams of Group companies. As a result of these assessments, 9 candidates were rejected.

794 *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 3,577 statements of conflicts of interest from members of the management team and certain professionals in key positions within the Group's perimeter. In addition, 323 spontaneous employee communications have been received reporting potential situations of conflict of interest.

Following the analysis of all communications, the compliance function recommended specific preventive measures in 173 cases.

3,900 conflict
of interest communications

Related transactions

In accordance with the provisions of the *Procedure for related party transactions with members of senior management, delegated related party transactions and lines of related-party transactions*, and similar regulations applicable in *subholding* companies and head of business companies, the Unit and the compliance units have sought 136 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.

Gifts and hospitality

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 handled 656 queries within the Group's perimeter related to the acceptance of gifts and hospitality received, especially during the Christmas period.

656 queries
regarding gifts and hospitalities

Remuneration and performance

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

As a sign of this strong commitment, the Group's strategic goals include a series of ESG indicators (Environmental, Social and Governance) 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 the principles of ethics and transparency is one of the basic pillars of the annual performance appraisal process, in which both the employee and their immediate superior participate.

5.5 Competition

In accordance with the provisions of the *Action Protocol for Fair Competition* and similar regulations, a series of measures and controls have been implemented with the aim of ensuring compliance with the legislation in force in this matter concerning the following areas:

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

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5.6 Prevention of money laundering

Iberdrola Inmobiliaria, S.A.U., (“**Iberdrola Inmobiliaria**”) due to the nature of the activity it carries out, is subject to *Law 10/2010, on prevention of money laundering and the financing of terrorism, of 28 April*, (the “**Anti-Money Laundering Law**”), therefore the company has implemented the *Procedure for action on the prevention of money laundering and financing of terrorism*, the main purpose of which is to prevent this type of crime.

Although Iberdrola, S.A. and the other Spanish companies are not subject to the obligations of the Anti-Money Laundering Law, the risk of committing this type of crime is included in the respective crime prevention programmes implemented at the various companies of the Group. As a consequence, all companies have controls in place to suitably cover this risk.

Iberdrola Inmobiliaria has implemented the Action procedure for the prevention of money laundering and the financing of terrorism

With regard to Iberdrola Inmobiliaria, the company prepares an annual report on activities relating to the prevention of money laundering and the financing of terrorism and submits it to its board of directors.

In 2023, the Internal Control Body of Iberdrola Inmobiliaria, which supervises money laundering and financing of terrorism, did not receive any reports of suspicious transactions, and there were no reports to the Executive Service of the Commission for the Prevention of Money Laundering and Financing of Terrorism (“**SEPBLAC**”), nor has the aforementioned company received any communication, official request or notice of the commencement of inspections by SEPBLAC.

In addition, EY has carried out the external expert audit of the Anti-Money Laundering Law, with a favourable result.

06. Market abuse regulations

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6. Market abuse regulations

The *Internal Regulations for Conduct in the Securities Markets* (“**IRC**”) is an internal regulation that forms part of the Governance and sustainability system and applies to the members of the Board of Directors and senior management of Iberdrola, as well as:

- I. those other persons (“**Affected Persons**”) who, in accordance with the regulations in force from time to time, are designated by the Unit in view of their regular and recurrent access to information that may be considered Inside Information (as defined in the regulations themselves);
- II. persons who temporarily or transiently have access to Inside Information of the Company by reason of their participation or involvement in a transaction or an internal process involving access to Privileged Information (“**Insiders**”); and
- III. the Company’s treasury share managers.

The currently applicable version of the IRC is available on the Company’s corporate website and Employee Portal.

The Internal Regulations of Conduct for Securities Markets sets out rules for the management, control and transparent communication of Inside Information

The IRC establishes rules for the management, control and transparent communication of Inside Information, as well as for the conduct of treasury share transactions, and imposes certain obligations, limitations and prohibitions on Affected Persons, Insiders and the Company’s treasury share managers.

All of the above, in order to protect the interests of investors in the securities of the Company and the Group and to prevent and avoid any situation of abuse, notwithstanding to encouraging and facilitating the participation of its directors and professionals in the capital of the Company within the strictest respect for the law in force.

The IRC entrusts the Unit with the function of ensuring its compliance.

In accordance with the provisions of the IRC, the Unit maintains the following registers:

- Register of Affected Persons, which includes persons who have regular and recurrent access to Inside Information.
- Register of Treasury Share Managers, which includes the persons who manage the Company’s treasury share transactions.
- List of Affected Securities, which at year-end 2023, are: (i) listed securities issued by the companies listed below; and (ii) financial instruments and contracts giving the right to acquire or transfer, or underlying, the following securities:

Iberdrola, S.A.	SP Distribution, plc.
Iberdrola Finanzas, S.A.U	Scottish Power UK, plc.
Iberdrola Finance Ireland DAC.	SP Manweb, plc.
Iberdrola International B.V.	SP Transmission, plc

The Unit also keeps at the disposal of the supervisory authorities copies of all Registers of Insiders communicated to it and an updated list of securities, instruments and contracts that are to be considered as Affected Securities under the IRC.

The measures and other actions carried out by the Unit in relation to the IRC are subject to annual review by an independent expert (Uría Menéndez), through an audit and verification process. As a result of this process, the report for the 2023 financial year concludes that the Unit has adequately carried out the necessary actions to ensure compliance with the IRC and the applicable securities market regulations.

07. Separation of activities

7. Separation of activities

Brazil, Spain, Mexico, the US and the UK each have their own sector-based regulations designed to ensure the supply of electricity.

Generally speaking, this legislation allows certain activities, such as production and marketing (liberalised activities), to be carried out under free competition, while other activities are subject to a natural monopoly, including the distribution and transmission of electricity and gas (regulated activities).

Some of the countries referred to require liberalised and regulated activities to be separate, so as to ensure transparent, non-discriminatory and efficient management of the electricity and gas systems.

The respective *subholding* companies have specific internal regulations on this matter, the separation of activities, compliance with which is supervised annually by the competent compliance units.

08. Training and communication. Ethical culture

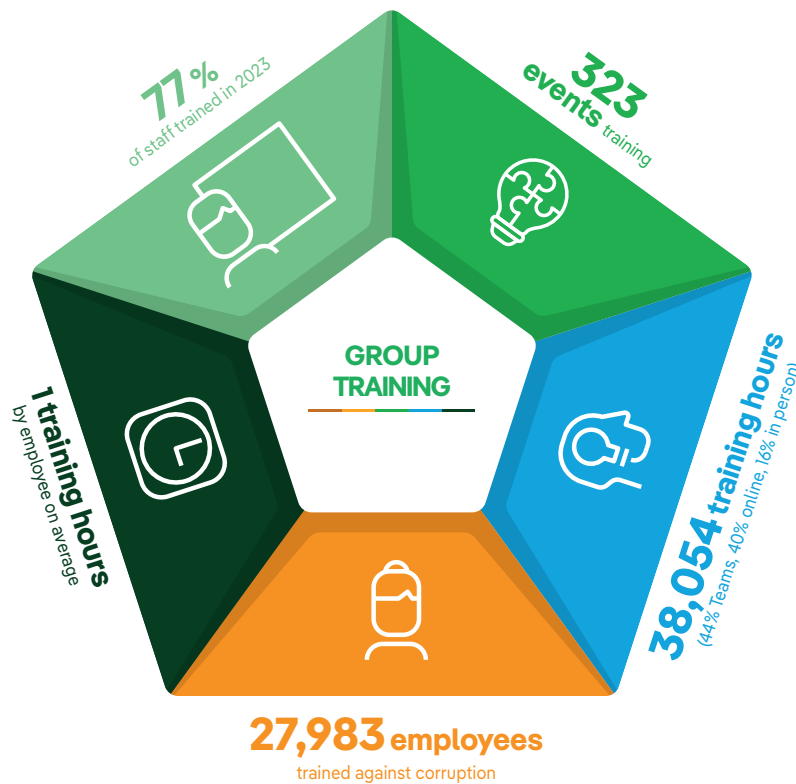
8.1 Training

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 the Group's companies. Accordingly, the Unit and the compliance units plan their training activities annually in collaboration with the corresponding People and Organisation divisions.

The training strategy stems from global training initiatives for the professionals of the Group's 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. Accordingly, the Global Compliance Training Plan includes training activities specifically adapted to:

- Directors.
- 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, face-to-face training sessions given by external professionals or by those responsible for the compliance function.



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8.2 Communication

Dissemination and communication of ethical principles is another essential element of the Group companies' Compliance System.

There is a Communication Plan approved by the Unit, for 2023-2025, setting the following goals:

- Ensuring that employees perceive the value that Compliance actions entail for themselves as well as for the company.
- Raising the awareness of professionals about the most relevant risks associated with their professional activity and the regulations or recommendations in order to minimise them.
- Promoting the participation of professionals in the Compliance activities that require it.
- Encourage the involvement of managers and middle management in the transmission of the compliance culture to 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 at all times.

Number of communication initiatives

Internal activities		External activities	
Mailing	137	Social media	16
Knowledge sharing sessions	48	Professional events	12
Employee portal	28	Press	8
Newsletter	25	Corporate website	5
Information screens	5	Masters' and postgraduates	4
Video	2	Mailing	1
WhatsApp	1	Specialised journals	1
TOTAL	246	TOTAL	47

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

8.3 Ethical culture survey

The Units and the compliance units conduct the ethical culture survey aimed at measuring the degree of ethical culture at Iberdrola and monitoring its evolution over time. This survey, which is carried out every two years and is addressed to all staff, covers the following issues:

- 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 colleagues, managers and the management team.

The latest survey conducted to date (2022), in which 26,917 employees (66.88% of the workforce) participated, shows that these employees rate the ethical culture existing at Iberdrola highly.

26,917 employees
have participated in the ethical culture survey

09. Internal reporting system

9. 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* corresponds to the Unit and to the compliance units of the different companies of the Group.

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 conduct that may involve committing any irregularity or any act that is unlawful or contrary to law or to the Governance and sustainability system. In addition, these reporting channels can be used to submit queries on aspects relating to the interpretation of and compliance with the *Code of ethics* and to any matter relating to Compliance. All communications received through these channels are considered confidential information and, in the case of claims, may be anonymous.

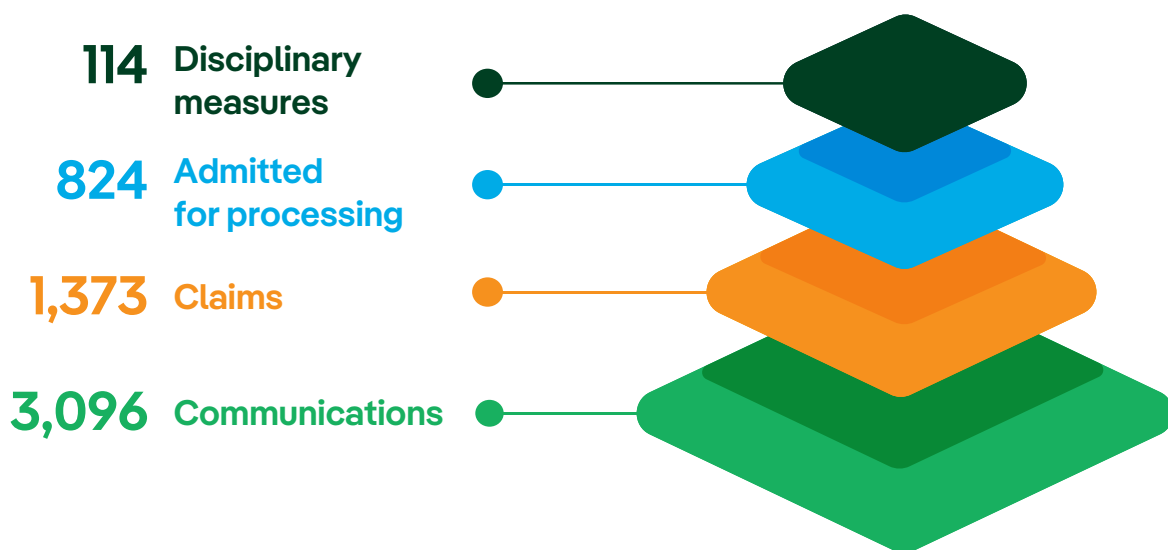
The Iberdrola Group companies have established a duty for the members of their governing bodies, their professionals, their suppliers, as well as for other third parties provided for in the applicable regulations, to report, through the internal whistleblower channels, any irregularities of which they are aware.

In all cases, the Group is firmly committed, as reflected in the *Code of ethics*, in the *Compliance and internal reporting and whistleblower protection system policy* and in the rest of the procedures and internal regulations on the matter, to the prohibition of retaliation against those who make use of the whistleblower channels, except in cases of bad faith.

These internal whistleblower channels, which allow for anonymous whistleblowing, are available on the websites of the companies of the Iberdrola Group and on the employee portal.

The processing of claims and queries made through the internal whistleblower channels corresponds to the competent compliance unit, as the case may be. Both involve an essential source of information for identifying points for improvement in the Compliance System and additional prevention and control mechanisms.

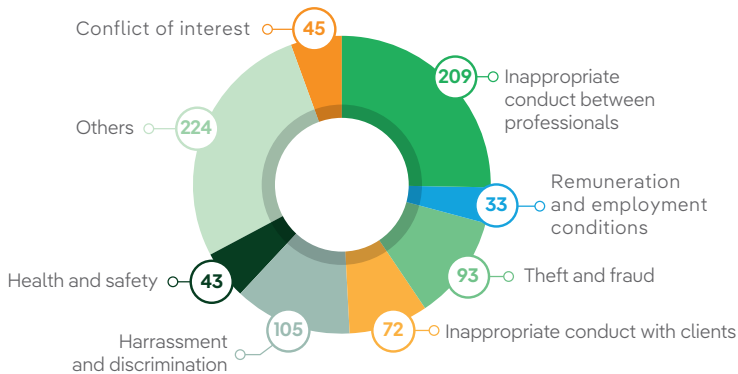
Communications received by the Group through internal communication and claims channels in 2023 totalled 3,096, of which 1,723 were queries and 1,373 were claims.



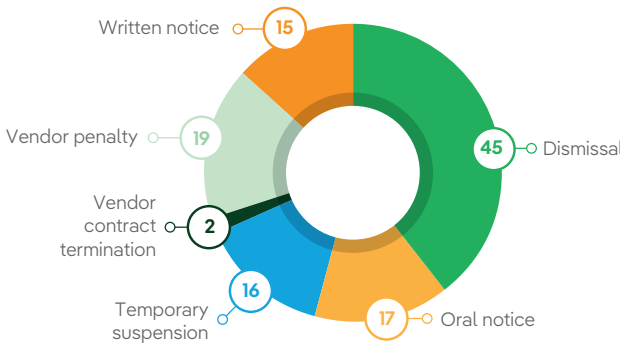
Of the 1,373 claims, 824 have been admitted for processing, of which 288 have been classified as having a potential human rights impact.

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ADMITTED FOR PROCESSING



DISCIPLINARY ACTIONS



In 2023 114 disciplinary measures have been adopted within the perimeter of the Group⁴ since it has been evidenced there has been an irregular conduct or a conduct contrary to the internal regulations or the *Code of ethics*.

Professionals in the Group’s companies have confidence in the channels provided to make their claims or queries; this can be seen from the rate of communications received in the Group, which amounts to 7.6 communications per 100 employees.

7.6 communications
per every 100 employees

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

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10. Monitoring and review

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10.1 Monitoring indicators

On a frequent basis, the Unit supervises the effectiveness of the compliance system of the Group companies by reviewing the indicators of the main compliance risks (KRIs) as well as the effectiveness of the compliance units activity (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 whistleblower channel activity.
- Monitoring higher than normal risk 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 employees.
- Legal proceedings in which employees are involved as a result of their activity and work in the Group.
- Audits and reviews of the Group companies' compliance systems.

10.2 Internal audit

Internal Audit, as an independent function, carries out periodic audits of the compliance system of the Group 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 is carried out of the areas that make up the Compliance System:

- *Code of ethics*, in relation to the specific competencies entrusted to the Compliance Unit.
- Crime prevention programme (related policies, procedures and protocols).
- Internal regulations for conduct in the Securities Markets.
- Separation of regulated activities in the Group companies.

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

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

Within this framework of action, during the 2023 financial year, the Internal Audit Department audited, among other tasks, the Unit's compliance with the obligations assigned to it by the Board of Directors in the *Compliance Unit Regulations*. It has also carried out a specific audit of the functioning of the internal reporting system (whistleblower channel).

The recommendations presented have been included in an action plan to monitor their implementation.

10.3 External reviews

Compliance Leader Verification

The *Compliance Leader Verification* certification, awarded by the Ethisphere Institute, a US-based global leader in defining best practices in compliance, is given to companies that not only comply with current regulations, but also demonstrate the existence of an internal culture and leadership that promotes ethical values in the conduct of their business.

During the 2023 financial year, the Company and Avangrid Inc, (*subholding* company in the United States) renewed the certification they first achieved in 2018 and 2021 respectively. Likewise, Scottish Power (*subholding* company in United Kingdom) maintained in force the certification it obtained in 2022.

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

In 2023, AENOR certified the Compliance System of the Iberdrola Group companies in Spain 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 system.

These certifications were first obtained by the Company in 2017.

In turn, Scottish Power has obtained the certification in accordance with the ISO 37001 standard, following the audit carried out in 2023 by Seeki Europe and Iberdrola Mexico (*subholding* company in Mexico) obtained the same certification in 2023, issued by AENOR. In the case of Neoenergia (*subholding* company in Brazil) continues to hold such certification since 2020.

External audit of the crime prevention programmes

In 2023, the law firm Uría Menéndez issued an external audit report on the effectiveness of the crime prevention programmes implemented in the Spanish Group companies. 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. Likewise, the assessment work brought forth certain improvement recommendations, the implementation of which is coordinated by the respective compliance units.

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

Audit of the Internal reporting system

During the 2023 financial year, Tarlogic has conducted an independent audit of the functioning of the internal reporting channels (whistleblower channel). The main purposes for this audit have been as follows:

- Verify that when an anonymous communication is received through the whistleblower channel form, it is materially impossible to find out the whistleblower’s identity.
- Ensure that the content of communications received through the whistleblower channel is not accessible to third parties or to anyone other than the user of the whistleblower case management software.

Following the evaluation carried out and based on the evidence obtained, it has been concluded that the security measures implemented guarantee the confidentiality, integrity and availability of the data managed by the whistleblower platform.

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

11. Awards

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11.1 World's Most Ethical Companies

The Company and Avangrid have been recognised, for the tenth and fifth consecutive year, respectively, as one of the world's most ethical companies, according to the *2023 World's Most Ethical Companies* ranking prepared by the Ethisphere Institute.

In drawing up this list, Ethisphere assesses the existence of an effective compliance system, reputation, the presence of an ethical culture at all levels of the organisation and in all its activities, corporate governance and social responsibility. This recognition was granted to 135 companies worldwide in 2023; Iberdrola, S.A. was the only Spanish company on the list.

11.2 Expansión awards

In March 2023, the jury of the Expansión Compliance Awards granted the Company the award to the “*Most innovating company in the year*” highlighting the breakthrough the publication of the first edition of this Compliance System Transparency Report was to the professional community.

Expansión had already awarded the Company the prize for “*Company with best Compliance practices 2018-2019*”, recognising the effectiveness and robustness of the Compliance System of the Group's companies and the development of the company's ethical culture.

These awards represent a return on the efforts taken by the companies and their managers to implement effective compliance systems in their organisations.

11.3 Haz Foundation

Iberdrola tops the ranking of the most transparent companies in the IBEX 35 according to the *Transparency and good governance on ethics and compliance practices of IBEX 35 companies* report, drawn up by the Haz Foundation with the support of the Cumplen Association. This report analyses the voluntary transparency in the public information of the companies that make up the main Spanish stock market index on their policies and practices in the areas of ethics and compliance.

11.4 European Compliance & Ethics Conference Awards

Iberdrola has been recognised at the European Compliance & Ethics Conference 2023 held in Munich for the publication of the Compliance System Transparency Report. With this international recognition, Iberdrola consolidates its position in the professional community as a benchmark when it comes to sharing information about the compliance system with stakeholders.

12. Dissemination and promotion of business ethics

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12. Dissemination and promotion of business ethics

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

€319 thousand in 2023
earmarked by the Group to promote business ethics

In line with the above, the following activities, among others, were carried out during the year:

- Iberdrola has been a member of the United Nations Global Compact since 2002 and is committed to the dissemination of the Ten Principles of the United Nations Global Compact, including Principle Ten: *Companies should work against corruption in all its forms, including extortion and bribery.*
- Iberdrola is a member of the Anti-Corruption Leaders Hub, a group promoted by the Organisation for Economic Co-operation and Development (OECD) and made up of representatives from the public and private sectors who collaborate at international level to prevent corruption and promote business ethics.
- Since 2018, Iberdrola has been promoting the Iberdrola Chair of Economic and Business Ethics together with Comillas Pontifical University. The main objective of this initiative is to promote the study and dissemination of the principles of business and professional ethics in all areas.
- In 2023, the Company 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 carried out in collaboration with the Spanish Association of Registrars, Deloitte and the Institute of Compliance Officers.
- The Company is a premium sponsor of the Spanish Compliance Association (ASCOM) and is a member of the Corporate Integrity Forum of Transparency International Spain.
- During the 2023 financial year, the Company continued to collaborate with the Polytechnic University of Madrid through the "Iberdrola-UPM Chair: SDG Chair" for the development of the Sustainable Development Goals ("**SDGs**") under a collaboration agreement renewed in 2021. One section of the Chair addresses the SDG "Peace, justice and solid institutions" with the aim of promoting good practices in ethics and compliance and the fight against fraud and corruption.
- In collaboration with the Educación para Compartir association, the Company has developed the "Games, values and action" project in Mexico. This is a series of workshops aimed at promoting fair play, empathy, respect, gender equality, tolerance, teamwork and responsibility among children. In these workshops, aligned with the SDG, 926 primary school students and 51 teachers from 5 schools in Cuyoaco, Tamazunchale and Altamira participated.

