



Compliance System Transparency Report

2022

June 2023





Iberdrola, S.A.

**Agreed-upon procedures report on the Iberdrola Group's
2022 Compliance System Transparency Report**

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



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

Agreed-upon procedures report on the Iberdrola Group's 2022 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's 2022 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 12 June 2023. 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's 2022 Compliance System Transparency Report” prepared by the Compliance Unit. This document will accompany our report.
- 2- Procurement from management of the Company's Compliance Unit of the reports extracted from the Iberdrola Group's 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 2022	2.1 Compliance unit and divisions (page 5)	<ul style="list-style-type: none">1- Procurement from management of the Company's Compliance Unit of a list of compliance directors' appearances before their respective governing bodies in 2022.2- Procurement of the minutes of 5 randomly selected appearances in 2022.3- 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 6)	<ul style="list-style-type: none">1- Procurement from management of the Company's Compliance Unit of the Compliance Unit's budget for 2022 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 2022 matches that reflected in the Control Management Report and in the Transparency Report.
3. Number of employees	2.3 Professional qualification (page 6)	<ul style="list-style-type: none">1- Procurement from management of the Company's Compliance Unit of a list of Group employees working solely for the Compliance Unit at 31 December 2022.



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		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's internal directory.
4. Evidence of how controls work	3 Compliance risk analysis and assessment (page 9)	<p>1- Procurement from management of the Company's Compliance Unit of a list of controls identified in 2022 by the Compliance Unit to cover the different risks.</p> <p>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>
5. Third party evaluations	5.1 Third parties (page 13)	<p>1- Procurement from management of the Company's Compliance Unit of a list of the evaluations made of third parties (Group suppliers and debtors) in 2022.</p> <p>2- For a sample of 5 evaluations selected randomly from the list in point 1 above, procurement of documentation supporting the evaluations made.</p>
6. Transactions supervised by nature	5.1 Third parties (page 14)	<p>1- Procurement from management of the Company's Compliance Unit of a list of transactions supervised by the Compliance Unit in 2022 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>



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7. Robust principal supplier compliance system	5.1 Third parties - Sustainability - Supplier Development (page 14)	<p>1- Procurement from management of the Company's Compliance Unit of the criteria followed by the Compliance Unit in 2022 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	5.2 Trade professionals (page 15)	<p>1- Procurement from management of the Company's Compliance Unit of a list of background checks made in 2022.</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	5.2 Trade professionals (page 16)	<p>1- Procurement from management of the Company's Compliance Unit of a list of conflicts of interest communicated to the Compliance Unit in 2022.</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	5.2 Trade professionals (page 16)	<p>1- Procurement from management of the Company's Compliance Unit of a list of gifts and hospitality communicated in 2022.</p>



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		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.
11. Training given by the Compliance Unit	8 Training (page 24)	<p>1- Procurement from management of the Company's Compliance Unit of a list of training sessions given by the Compliance Unit in 2022.</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 and competition.</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 attendees and the number of hours' training.</p>
12. Communication	9 Communication (page 26)	<p>1- Procurement from management of the Company's Compliance Unit of a list of internal and external compliance communication activities carried out in 2022.</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 made.</p>
13. Ethics mailbox	10 Ethics mailboxes (page 28)	1- Procurement from management of the Company's Compliance Unit of a list of communications received by the ethics mailbox in 2022 (complaints and consultations) indicating for each



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		<p>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>
14. Dissemination and promotion of business ethics	13 Dissemination and promotion of business ethics (page 36)	<p>1- Procurement from management of the Company's Compliance Unit of a list of the business ethics dissemination and promotion initiatives carried out in 2022.</p> <p>2- For a sample of 3 communications selected randomly from the list in point 1 above, procurement of documentation supporting evidence that the initiative was carried out and the related cost.</p>

- 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

19 June 2023

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01

Introduction

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 [Iberdrola Group Purpose and Values](#), 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**”) 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 order to enforce the highest ethical standards established in its Governance and sustainability system, the Company has implemented a Compliance system, which is intended to ensure that the Company acts in accordance with ethical principles and applicable law and to prevent improper or contrary conduct to ethics, the law, or the Governance and Sustainability System that may be committed by professionals in the course of their activities.

In order to proactively ensure the effective operation of the Company’s Compliance system, the Board of Directors set up the Compliance Unit (the “**Unit**”), a permanent internal decision-making body, linked to its Sustainable Development Committee (the “**Sustainable Development Committee**”), which is vested with broad powers, budgetary autonomy and independence of action.

The Unit carries out its functions in connection with the Company’s Compliance System and coordinates those carried out autonomously by the compliance divisions of each of the companies in the Group.

Each of the sub-holding companies and the business parent companies has a compliance division, linked to a consultative committee of its board with specific compliance functions, if established, or to its board of directors if not. These compliance divisions, which, as mentioned above, act in coordination with the Unit, ensure the effective functioning of their respective company’s Compliance system.

This report, approved by the Unit on 1 June 2023, includes the main actions, initiatives and measures developed, promoted and adopted by the Unit and the different compliance divisions during 2022, 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

Compliance unit
and divisions

2. Compliance Unit and divisions

2.1 The Unit and the compliance divisions

The Unit is a permanent internal decision-making body, linked to the Sustainable Development Committee and with broad competences in the field of compliance, including interpretation, implementation and development of the [Code of ethics](#) (except its section C, relating to the directors), the [Anti-corruption and anti-fraud policy](#), the [Crime prevention policy](#), the [Internal regulations for conduct in the Securities Markets](#) and the internal regulations for the separation of activities.

The composition, powers and functioning of the Unit shall be regulated in the [Compliance Unit Regulations](#). Its members are appointed by the Board of Directors on the basis of a report from the Company's Appointments Committee.

The Unit, which held 8 meetings during the 2022 financial year, has different corporate and business areas of the countries in which the Group is present represented in it.

The Unit, represented by its director, appears and reports regularly to the Sustainable Development Committee to report on activities, actions and incidents related to the compliance function. In 2022, the Compliance director reported 3 times to the Sustainable Development Committee and 4 times to the Company's Audit and Risk Supervision Committee.

The various compliance divisions also periodically report to their management 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 Compliance Directors corresponds to the Boards of Directors of the sub-holding companies and business parent companies.

The compliance divisions of the sub-holding companies relate to the Unit through the General coordination, collaboration and information protocol which, approved by the Unit in accordance with the provisions of [Governance and sustainability system](#), regulates the relations between them. Without prejudice to their management autonomy, the compliance divisions 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 the financial year 2022, 25 coordination meetings were held between Iberdrola's Compliance director and the compliance divisions of the sub-holding companies.

**Budgetary
autonomy and
independence
of action**

100 appearances
of compliance directors before their respective
governance bodies in 2022

2.2 Budget and resources

Both the *Regulations of the Compliance Unit* and the regulations of the different compliance divisions 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 divisions, giving them the necessary autonomy and independence for the exercise of their functions.

9.2 million euros
in the Group's budget

2.3 Professional qualifications

Compliance directors and the other professionals who work in compliance have proven knowledge, experience and skills to perform their duties.

51 employees in the Group's companies
as a whole that work full time

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 Officers (IOC).

Training and updating the knowledge of compliance professionals is one of the commitments promoted by the Unit. In this context, during 2022, members of the compliance divisions took part in various training activities on ethics and compliance, allocating a total of 1,505 hours to these activities.

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

03

Compliance risk analysis and assessment

3. Compliance risk analysis and assessment

The Unit and the compliance divisions periodically update the compliance risk map, following the guidelines established in the Compliance risk assessment guide approved by the Unit, including the assessment of the likelihood of materialisation of each risk 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 under assessment are grouped into the three categories for which the compliance function is responsible: (i) crime prevention; (ii) separation of activities; and (iii) securities market, as reflected in the table below:

CRIME PREVENTION	SEPARATION OF ACTIVITIES	SECURITIES MARKET
Corruption and fraud	Scope	Market abuse
Money laundering and the financing of terrorism	Effective separation	Unsuitable safeguarding of information
Market abuse	Brand image	Disclosure to the regulator
International sanctions	Common service costs	Updating of records
Embezzlement	Management independence	
Permits, licences and public administrations	Trade-sensitive information	
Fraud against public authorities and Social Security	Independent supervision	
Criminal insolvency	Network access	
Intellectual and industrial property	Price discrimination	
Contraband		
Anti-competitive practices		
Falsifying of public information		
Data protection		
Cybercrime		
Trade secrets		
Workplace risk prevention		
Workers' rights		
Impeding third-party supervision		
Facility safety, environment and public health		
Consumer protection		

Each Compliance division analyses whether such risks exist in each of the subholding companies and head of business companies, and in each of the corporate and business areas of those companies. In the risk assessment process the whole management team responsible for said areas and businesses is involved.

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 order to accredit the correct functioning of these controls, the Group companies' compliance system has 1,954 pieces of evidence that are provided annually by the 429 Group professionals responsible for their execution.

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

1,954 pieces of evidence
of the correct functioning of the Group's controls

04

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) the complementary regulations developed and approved by the Unit under the powers granted to it by the *Compliance Unit Regulations*, and which are also mandatory for the professionals.

INTERNAL REGULATIONS APPROVED BY THE BOARD OF DIRECTORS ¹	INTERNAL REGULATIONS APPROVED BY THE COMPLIANCE UNIT
Code of ethics	General framework of the Iberdrola Group's Compliance System
Crime prevention policy	General coordination, collaboration and information protocol
Anti-corruption and anti-fraud policy	Protocol for corporate transactions
Internal Regulations on Conduct in the Securities Markets	Protocol for contributions of social content, donations and sponsorships
Internal regulations for the processing of inside information	Fraud risk and third party corruption management protocol
Procedure for related party transactions with members of senior management, delegated related party transactions and transaction lines	Action protocol to ensure fair competition
Compliance Unit Regulations	Action protocol for the business relationship with the Public Administration
	Action protocol with respect to gifts and hospitality
	Protocol for action in the event of notification of judicial and administrative sanctioning proceedings
	Action protocol for the business relationship with the Public Administration
	Case processing guide
	Compliance Risk Assessment Guide
	Third-party risk assessment
	Guide on how to carry out the background check prior to taking up managerial duties

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 related party transaction lines) are available at www.iberdrola.com

05

Risk Management

5. Risk management

5.1 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 in terms of 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 to be above a certain level of risk.
- International sanctions.
- Adverse news or incidents in the field of:
 - Human rights.
 - Modern slavery.
 - Corruption and bribery.
 - Growing
 - Other irregularities and unlawful conduct.
- Links with persons with public responsibility or public entities.

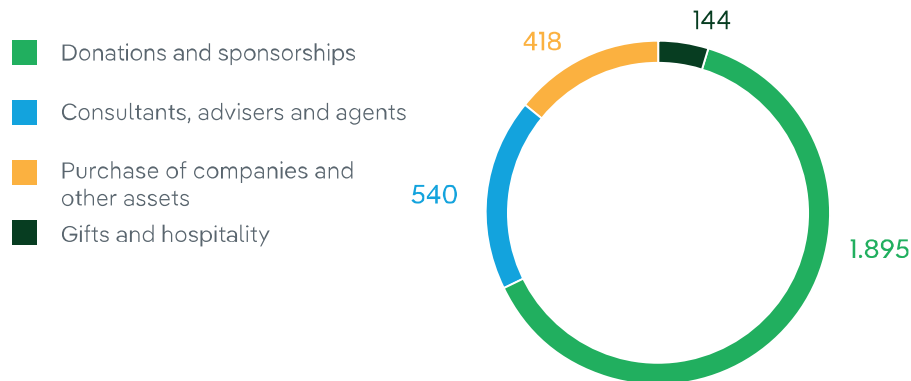
Based on this analysis, the compliance function rates the fraud and corruption risk of suppliers and debtors and records this rating in the corporate systems. If the risk exceeds a certain level, the compliance function will monitor all transactions intended to be entered into with that third party.

Suppliers and debtors considered to be above acceptable risk are classified as critical risk and blocked in the systems, preventing the formalisation of any transaction or payment in relation to them.

5,262 third party assessments done in 2022

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 division 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 the supplier or debtor.

NUMBER OF TRANSACTIONS SUPERVISED BY COMPLIANCE (CLASSIFIED BY NATURE)



Furthermore, the *Investment policy* involves the compliance function in strategic decisions by establishing the need for the relevant compliance function to carry out, prior to approval, an analysis of the potential risk of fraud and corruption associated with each investment or divestment project. During 2022, the compliance divisions have assessed a total of 71 projects.

I 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 Purchasing 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 Purchasing Division according to ESG criteria (*Environmental, Social and Governance*).

1,634 main suppliers
have a robust compliance system*

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

PRESENCE OF ELEMENTS OF A COMPLIANCE SYSTEM AT THE GROUP SUPPLIERS **



The compliance function is proactively requesting its key suppliers to have their ethics and compliance systems audited by an independent third party. Accordingly, in 2022, Iberdrola has assisted 103 suppliers in developing and improving their compliance systems.

In addition, 6 training sessions for suppliers on ethics and compliance were held in 2022, attended by 107 people.

5.2 Trade professionals

| Background checks

Following the recommendations of *Circular 1/2016 of the Public Prosecutor's Office*, prior checks are carried out regarding the persons who assume managerial functions, through the analysis of publicly available information, in order to ensure their suitability from the perspective of compliance (background checks).

In 2022, the compliance function has carried out 477 background checks to members of management teams in the Group companies. As a result of these assessments, 4 candidates were rejected.

477 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.

** Information on the 3,774 suppliers of the Group companies with the highest turnover in the 2019-2022 period.

In 2022, the compliance function collected 2,918 statements of conflicts of interest from members of the management team and certain professionals in key positions within the Group's perimeter. In addition 243 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 190 cases.

3,161 conflict of interest communications

I Related transactions

In accordance with the provisions of the *Procedure for related party transactions with members of senior management, delegated related party transactions and related party transaction lines* and similar regulations applicable in sub-holding companies and business parent companies, the Unit and the compliance divisions have collected 103 statements from the members of senior management of their respective companies about:

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

I 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 417 queries within the Group's perimeter related to the acceptance of gifts and hospitality received, especially during the Christmas period.

417 queries regarding gifts and hospitalities

5.3 Competition

In accordance with the provisions of the *Action protocol for fair competition* and other similar regulations, 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:

T A X	A R E A
Collusion	Retail of energy
	Wholesale market
	Tenders and public auctions
Unfair competition	Contract
	Grid management
Abuse of dominance	Retail of energy
Concentrations	Consortia
	Corporate transactions
Provider /Supplier relationships	Tenders

5.4 Prevention of money laundering

Iberdrola Inmobiliaria, S.A.U., (“**Iberdrola Inmobiliaria**”) due to the nature of the activity, is subject to Law 10/2010, on prevention of money laundering and the financing of terrorism, of 28 April, (the “**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 Money Laundering Law, the risk of committing this type of crime is included in the respective programmes for the prevention of the commission of crimes 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***

Regarding Iberdrola Inmobiliaria, the company produces an annual report on its prevention of money laundering and financing of terrorism activities which is presented to the Audit and Compliance Committee.

In 2022, the Internal Control Body of Iberdrola Inmobiliaria 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, Ernst & Young has carried out the external expert audit of the Money Laundering Law, with a favourable result.

06

Market abuse regulations

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 the Company, 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 Inside 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, without prejudice 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 compliance.

In accordance with the provisions of the RIC, 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 2022, 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 2022 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 sub-holding companies have specific internal regulations on this matter, compliance with which is monitored annually by the relevant compliance divisions.

08

Training

8. 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. In this context, the Unit and the compliance divisions plan their training activities on an annual basis in collaboration with the corresponding human resources divisions.

The Unit's training strategy is based on 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.

For all this, the Unit and the compliance divisions 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.



09

Communication

9. Communication

Dissemination and communication of ethical principles is another essential element of the Group companies' compliance system.

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		OUTSIDE ACTIVITIES	
Mailing	136	Events	13
Newsletter	28	Corporate website	1
Employee portal	28	Masters' and postgraduates	3
Knowledge sharing sessions	25	Press	7
Video	10	Social media	14
Podcast	5	Specialised journals	1
All internal	232	All external	39

10

Ethics
mailboxes

10. Ethics Mailboxes

The Group companies have whistle-blowing channels to report any conduct that may involve the commission of any irregularity or any act contrary to the law or to the rules of conduct set out in the *Code of ethics* or other internal rules or procedures. In addition to whistleblowing, these channels are used for consulting on aspects relating to the interpretation of and compliance of the *Code of ethics* and the rest of the internal regulations on compliance.

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

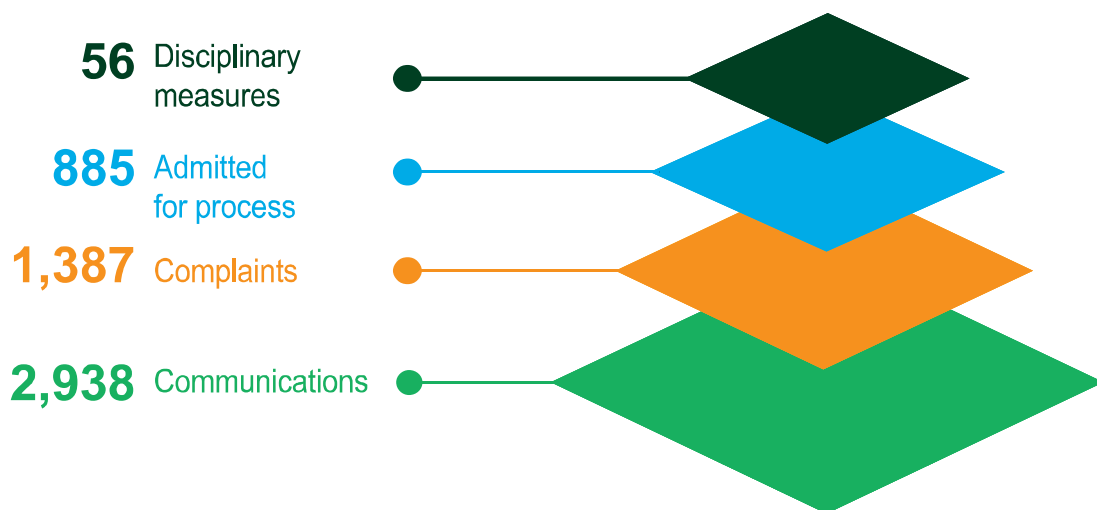
All communications received through the enabled channels are treated as confidential information

Whistleblowing channels are available to the Group's professionals, suppliers and shareholders.

In the specific case of professionals, all those who have reasonable indications of the commission of any irregularity or of any act contrary to the law or to the rules of action of the *Code of ethics* are obliged to report it through the whistleblowing channels.

There is a firm express commitment, reflected in the *Code of ethics*, in the Anti-corruption and anti-fraud policy and in the remaining internal procedures and regulations on the matter, not to take retaliation against those using these mailboxes, except in cases of bad faith. The relevant compliance director regularly monitors the personal and employment situation of the whistleblower to ensure that they do not suffer any retaliation.

A total of 2,938 communications were received by the Group through the ethics mailboxes in 2022, of which 1,551 were queries and 1,387 were complaints.

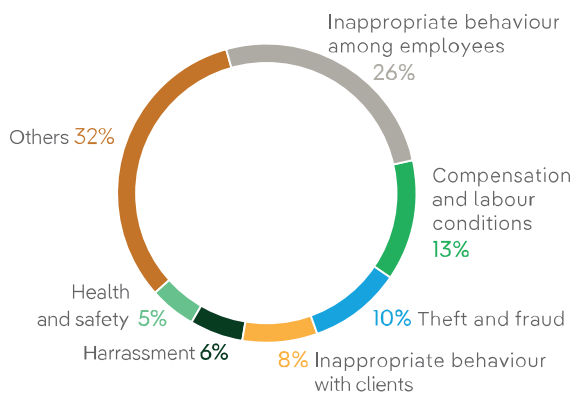


Of the 1,387 complaints, 885 have been admitted for processing, of which 432 have been classified as having a potential human rights impact.

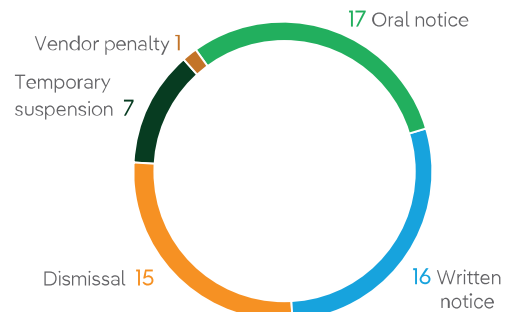
In 2022 56 disciplinary measures have been adopted within the perimeter of the Group² since it has been evidenced there has been an irregular conduct or a conduct contrary to the internal regulations or the Code of ethics.

5% of the complaints admitted for processing in 2022 resulted in disciplinary actions being taken

ADMITTED FOR PROCESSING



DISCIPLINARY MEASURES



Group companies' professionals trust the channels enabled to submit complaints and queries, as can be seen in the comparison of rates of communications received in the Group, rising to 7.5 communications every 100 employees, compared to public reports and studies in this regard, establishing a reference between 0.5 and 2.3 communications every 100 employees based on the geographical area³.

2. Of the 56 disciplinary measures, 14 correspond to reports received in previous years..

3. Navex: 2022 Regional Whistleblowing Hotline Benchmark Report.

11

Monitoring and review

11. Monitoring and review

11.1 Monitoring indicators

On a quarterly basis, the Compliance 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 Unit's activity and the compliance divisions (KPIs). The indicators cover the following aspects, among others:

- Operations in countries considered by the compliance function to be above a certain level of risk.
- Third-party risk assessment.
- Ethics mailbox 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.
- Judicial proceedings where employees are involved due to their professional activity at Iberdrola.
- Audits and reviews of the Group companies' compliance systems.

11.2 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.

In the 2022 financial year, 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 audit committees. 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 will be carried out in accordance with the provisions of the *General Framework of the Iberdrola Group's 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.

- (c) Collaboration in investigations and complaints that may affect the Internal Control System.

At the request of the Compliance Unit or divisions, the Internal Audit division will collaborate with the former in investigations that may affect the companies Internal Control System.

11.3 External reviews

I *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 2022 financial year, the Company has renewed the certification it achieved for the first time in 2018.

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

In 2022, AENOR certified the Compliance system of the Iberdrola Group companies in accordance with:

- (i) the UNE-ISO 37001 standard on anti-bribery management system; and
- (ii) (the UNE 19601 standard on criminal compliance management systems.

These certifications were first obtained in 2017.

I External audit of the crime prevention programmes

In 2022, the law firm Uría Menéndez issued an external audit report on the effectiveness of the crime prevention programmes implemented in the various 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 divisions.

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

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

12 Awards

12. Awards

12.1 *World's Most Ethical Companies list*

The Company has been recognised for the ninth consecutive year as one of the world's most ethical companies, according to the 2023 ranking for the World's Most Ethical Companies produced 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.

12.2 *Expansión awards*

The jury of the Expansión Compliance Awards 2022 granted the Company the award to the “*Most innovating company in the year*” highlighting the update the publication of the first edition of this Compliance System Transparency Report was to the professional community.

Expansión 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.

12.3 *Transparency International*

In 2022, Iberdrola, S.A. has been considered by Transparency International as the most transparent company in the Ibex 35 according to the ‘Index of Corporate Transparency in Integrity, Compliance and Human Rights’.

This index analyses the public information of Ibex 35 companies according to the parameters of human rights, regulatory compliance, anti-corruption programmes, organisational transparency and information by country.

13

**Dissemination and
promotion of
business ethics**

13. 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.

397 thousand euros in 2022
earmarked by the Group to promote business ethics

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

- Since 2018, the Company 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 2022, 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. During the year, the Company, the Spanish Association of Registrars, Deloitte and the Institute of Compliance Officers produced the functional design of this platform ready for its future implementation in 2023.
- 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 2022 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, the 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.



