

# Corporate Governance Guidelines

February 15, 2024

The Board of Directors of Avangrid, Inc. ("Avangrid") oversees the management of Avangrid and its business with a view to enhance the long-term value of Avangrid. Avangrid is a member of the group of companies controlled by Iberdrola, S.A. The Board of Directors of Avangrid (the "Board of Directors") has adopted the following Corporate Governance Guidelines (the "Guidelines") to assist in exercising its responsibilities to Avangrid and its shareholders ensuring the proper function of the Board and its committees. These Guidelines are subject to periodic review and modification by the Board of Directors from time to time. These Guidelines are meant to be a flexible structure within which the Board of Directors operates and should be interpreted in the context of applicable law, Avangrid's certificate of incorporation (the "Charter"), by-laws (the "By-Laws"), purpose and values, and other corporate governance requirements. These Guidelines and the Charter, By-Laws and other policies pertaining to corporate governance and regulatory compliance, risk, sustainable development, and social responsibility (collectively, the "Governance and Sustainability System") form the framework of governance of Avangrid and its subsidiaries (collectively, the "Avangrid Group"). Avangrid's Governance and Sustainability System is inspired by and based on a commitment to ethical principles, transparency and leadership in the application of best practices in good governance and is designed to be a working structure for principled actions, effective decision-making and appropriate monitoring of both compliance and performance. These Guidelines are posted on Avangrid's website at [www.avangrid.com](http://www.avangrid.com) and will be available in print to any shareholder who requests it.

## A. Principles of the Guidelines

Avangrid is committed to corporate governance, business ethics, transparency, sustainable development, corporate social responsibility, and generating a social dividend through its activities. These principles guide the actions of the Board of Directors and its committees, and the other decision-making bodies of Avangrid in its relations with shareholders, investors, Avangrid people, customers, suppliers, and other stakeholders. Avangrid's corporate governance shall be governed by the following guiding principles:

- a) Implementation of good governance standards that are generally accepted in the U.S. markets.
- b) Establishment of a governance and sustainability system that supports the sustainable creation of value, with a long-term vision that achieves a better future for employees, customers, shareholders, and other stakeholders and involves such stakeholders in our enterprise.
- c) Encouragement of the informed participation of the shareholders at the annual meeting of the shareholders (the "Annual Shareholders' Meeting") and adopting measures to facilitate the effective exercise by the shareholders at the Annual Shareholders' Meeting of the powers they hold under applicable law and the Governance and Sustainability System.
- d) Transparency and inclusivity in Avangrid's relationships with the shareholders, Avangrid people, customers, suppliers, the markets, and the general public.
- e) Separation of the management and supervision functions within Avangrid and the other companies in the Avangrid Group, as well as between the central strategy function and decentralized executive responsibilities, in accordance with the Avangrid Group's business model. This model makes the decentralized structure compatible with the integration of the Avangrid Group's businesses and its focus on maximizing operational efficiency through the exchange of best practices among the business units of the various companies within the Avangrid Group while respecting the independence necessary to carry out the day-to-day administration and effective management of each of the businesses.
- f) A commitment to the implementation of ethical best practices and compliance with all applicable laws, regulations, and risk management policies.

## B. Shareholders

Avangrid has made continuous, inclusive, effective, sustainable and transparent engagement with shareholders one of the keys to its corporate governance and sustainable development strategy. In accordance with the Innovation Policy, Avangrid will proactively and consistently seek innovative and sustainable ways to communicate and engage with shareholders in order to encourage their sense of belonging through direct, constructive, ongoing, effective and inclusive dialogue that helps align their interests with those of Avangrid.

### **1. Encouragement of Participation in the Annual Shareholders' Meeting**

Avangrid encourages the informed participation of shareholders at the Annual Shareholders' Meeting. The Board of Directors will promote, establish, supervise, and facilitate the effective exercise by shareholders at the Annual Shareholders' Meeting of the powers they hold under the Business Corporation Law of the State of New York (the "NYBCL") (including participation at such meeting) and the Governance and Sustainability System through compliance with reporting obligations under the provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules promulgated thereunder, and the rules of the New York Stock Exchange (the "NYSE").

### **2. Right to Request a Special Meeting**

The shareholders shall have the right to request a special meeting of the shareholders in accordance with the requirements set forth in the Charter and the By-Laws. Consistent with New York law and the guidelines for proxy solicitations under the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"), Avangrid shall ensure that the items on the agenda, the shareholder proposals properly submitted, if any, and all other information required to be included therein are disseminated to the shareholders in advance of any such special meeting.

### **3. Information for Shareholders**

The Governance and Sustainability System elaborates on the provisions of applicable law governing information that Avangrid must make available to shareholders. Once Avangrid has complied with the proxy regulations of the SEC, the Annual Shareholders' Meeting proxy statement shall be disseminated to the shareholders and made available on Avangrid's corporate website consistent with the guidelines for proxy solicitations under the rules and regulations of the SEC and the NYSE.

### **4. Attendance at the Annual Shareholders' Meeting**

Avangrid encourages shareholder attendance at and participation in the Annual Shareholders' Meeting, and, when held in-person, shall endeavor to hold the Annual Shareholders' Meeting in a state where the Avangrid Group has operations. In particular, whenever reasonably possible, Avangrid shall ensure that the location of any in-person Annual Shareholders' Meeting has appropriate means to facilitate entry to and exit from the premises by all attendees with reduced mobility, and shall take necessary measures to allow for participation by attendees with hearing or visual disabilities such as the simultaneous interpretation of the meeting in American Sign Language (ASL) and simultaneous audio description for attendees with visual limitations.

### **5. Rights to Proxy Representation and to Absentee Voting**

The right of shareholders to grant a proxy to another person (even if not a shareholder) and to vote by mail, telephone, or electronic means at any Annual Shareholders' Meeting or special meeting that may be held shall be in accordance with the provisions of the NYBCL, the rules and regulations of the SEC and NYSE, and other applicable law.

### **6. Communication Channels with Shareholders**

The Board of Directors shall encourage the continuous, inclusive and transparent engagement with shareholders. The authority to communicate with shareholders on behalf of Avangrid falls exclusively within the Board of Directors acting collectively and in the Chairman, to whom all such powers have been delegated. The Board of Directors and the Chairman may delegate to other members of the Board of Directors the authority to communicate on behalf of Avangrid with specific shareholders regarding specific issues relating to Avangrid's governance and sustainability. Such directors shall have such power only upon delegation from the Board of Directors. Nevertheless, except as expressly provided in this paragraph, directors do not constitute a valid channel for communication, and therefore, they have neither the duty nor the power to communicate with shareholders on behalf of Avangrid. Individual directors may, from time to time, meet or otherwise

communicate with constituencies that are involved with Avangrid only with the knowledge and at the request of the Chairman.

Any shareholder or interested party who wishes to communicate with the Board of Directors, the non-management directors, the independent directors or the director presiding over executive sessions of the Board of Directors, may do so by writing to:

Secretary of the Board of Directors  
Avangrid, Inc.  
180 Marsh Hill Road  
Orange, Connecticut 06477

The Secretary reviews all such correspondence and, in consultation with the Chairman, determines whether the subject matter of the communication should be brought to the attention of the Board of Directors, the non-management directors, the independent directors, or the director presiding over executive sessions of the Board of Directors, as the case may be. Typically, the Secretary will not forward to the Board of Directors communications of a personal nature or not related to the duties and responsibilities of the Board of Directors, including junk mail, mass mailings, advertisements, magazines, solicitations, job inquiries, opinion surveys or polls.

Other communications with shareholders, investors and the public may be made through the following divisions:

- a) Avangrid's Communications Division. The Communications Division responds on a regular basis to the questions of media about matters regarding the Avangrid Group.
- b) Avangrid's Investor Relations Division. The Investor Relations Division responds on a regular and personalized basis to the questions and other inquiries of shareholders, investors and analysts.

Avangrid will file annual, quarterly and periodic reports with the SEC to provide information that may be material to shareholders and investors. Avangrid will also update its corporate website ([www.avangrid.com](http://www.avangrid.com)) to provide materials that are required to be posted under the rules of the SEC and the NYSE as well as other materials Avangrid determines are appropriate for shareholders and investors. Avangrid will also publish on the corporate website the professional profile and biographical data of its directors and any positions held on the Board of Directors or committee memberships.

## **C. The Board of Directors and the Committees of the Board**

### **1. The Board of Directors**

The Board of Directors has collective power and authority to manage and represent Avangrid. Notwithstanding the foregoing, the Board of Directors will focus its activity on the oversight of management and the design, review, and approval of major strategies and financial and other objectives and plans of Avangrid such as:

- a) the establishment, in compliance with applicable law, of policies, strategies, and directives of the Avangrid Group that effectively entrust to the governance bodies and management of each Avangrid Group company the oversight and management of the business of each such Avangrid Group company;
- b) the establishment of appropriate mechanisms of coordination and exchange of information within the Avangrid Group in order to supervise the general development of the above-mentioned policies, strategies and directives;
- c) the oversight, review and approval of strategic matters relevant to the Avangrid Group including, without limitation, Avangrid's commitment to sustainable development and corporate social responsibility;
- d) the design, evaluation, and review and update of the Governance and Sustainability System and the adoption of the Purpose and Values of the Avangrid group with the assistance of the Governance and Sustainability Committee; and
- e) the design, evaluation, and review and update of a compliance system responsible for managing regulatory compliance and compliance with the Code of Business Conduct and Ethics and the other anti-fraud policies and

procedures contained in the Governance and Sustainability System, with the assistance of the Governance and Sustainability Committee.

In the performance of its duties, the Board of Directors pursues the corporate interest and acts with unity of purpose and independent judgment, affording fair treatment to all shareholders.

## 2. Composition and Independence of the Board of Directors

The Board of Directors shall be composed of a minimum of five and a maximum of 14 directors. Pursuant to the By-Laws, a minimum of five directors shall qualify as "independent directors" of Avangrid and Iberdrola, S.A. No director may qualify as "independent" unless the Board of Directors affirmatively determines that such director has no material relationship with the Avangrid Group (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Avangrid Group).

Iberdrola, S.A. owns approximately 81.6% of the outstanding shares of Avangrid common stock. As such, Avangrid qualifies as a "controlled company" under the NYSE rules. Pursuant to the exemption provided to "controlled companies" by the NYSE, for such time that Avangrid qualifies as a "controlled company", Avangrid will not be required to have a majority of "independent" directors on its Board of Directors. Once Avangrid ceases to qualify as a "controlled company," and after any permissible phase-in period, the Board of Directors will be required to have a majority of "independent" directors as defined by the rules of the NYSE.

The Board of Directors recognizes that directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, if Avangrid makes substantial charitable contributions to organizations with which a director is affiliated, or if Avangrid enters into consulting contracts with (or provides other indirect forms of compensation to) a director or an organization with which the director is affiliated.

The Board of Directors, with the assistance of the Compensation and Nominating Committee, will regularly review and evaluate the independence and qualifications of the members of the Board of Directors and its committees on a periodic basis as well as the composition of the board as a whole. The Board of Directors believes that diversity is an important attribute of a well-functioning board. In selecting qualified candidates to serve as directors of Avangrid we consider a range of matters of diversity including race, gender, ethnicity, culture, thought, and geography and measures ensuring that the Board, as a whole, reflects a range of viewpoints, backgrounds, skills, experience and expertise. This assessment also includes consideration of the integrity, judgment, business experience, expertise and availability for service of each member of the Board of Directors.

## 3. Selection and Appointment of Directors

The directors will be elected each year by the shareholders at the Annual Shareholders' Meeting. The Board of Directors, in consultation with the Compensation and Nominating Committee, will propose the nominees to the shareholders for election to the Board of Directors at such meeting. Any vacancies occurring in director positions between Annual Shareholders' Meetings, are filled by the Board of Directors, upon recommendation by the Compensation and Nominating Committee, as permitted by the By-Laws.

The vote required for election of directors by the shareholders shall, except in a contested election, be the affirmative vote of a majority of the votes cast in favor of or against the election of a director nominee at a meeting of shareholders by the holders of shares entitled to vote in such election. In a contested election, directors shall be elected by a plurality of the votes cast at a meeting of shareholders by the holders of shares entitled to vote in such election. An election shall be considered contested if as of the record date (or such later date as may be determined by the Board of Directors based on events occurring after the record date, but in no event later than the date the Corporation files its definitive proxy statement with the SEC), there are more nominees for election than positions on the Board of Directors to be filled by election at the meeting. In any non-contested election of directors, any incumbent director nominee who receives a greater number of votes cast against his or her election than in favor of his or her election shall immediately tender his or her resignation to the Board of Directors. The Compensation and Nominating Committee (excluding the nominee in question, if applicable), shall review the resignation and evaluate and recommend to the Board of Directors whether such resignation shall be accepted by the Board of Directors at its next meeting or whether such director should continue to serve a "holdover" term on the Board of Directors (i.e., until the next Annual Shareholders' Meeting or until the director's successor is elected and qualified). The Board of Directors' explanation of its decision shall be promptly disclosed on a Current Report on Form 8-K filed with the SEC.



The Board of Directors does not believe it is appropriate or necessary to limit the number of terms a director may serve. Annually the Board of Directors, with the assistance of the Compensation and Nominating Committee, will review whether it is appropriate to re-nominate each of the existing members of the Board of Directors and confirm that each such director desires to continue as a member of the Board of Directors.

When new candidates for membership on the Board of Directors are selected, the Board of Directors with the assistance of the Compensation and Nominating Committee, will ensure that the candidates proposed are qualified and possess the requisite expertise, competence, experience, qualifications, training and availability. The Board of Directors, with the assistance of the Compensation and Nominating Committee, will verify to the extent practicable, that the nominees are not affected by any of the instances of incompatibility with or prohibition against holding office as directors or by any of the grounds for conflict of duties or interest established by applicable law or the Governance and Sustainability System, and that the procedures for the selection of directors are free from any implied bias involving any kind of discrimination.

To ensure continued suitability for service on the Board of Directors, the Board of Directors' members must notify the Chairman of any personal and professional developments that could be expected to affect the directors' independence or service on the Board of Directors. Specifically, any director who changes his or her principal occupation or principal business association (including retirement) shall promptly offer his or her resignation from the Board of Directors in writing to the Chairman. The Compensation and Nominating Committee will assess such situation and the individual circumstances and make a recommendation to the Board of Directors as to whether to accept the resignation. The Board of Directors is free to accept or reject such resignation.

Directors are encouraged to limit the number of other boards on which they serve, taking into account the potential impact on attendance, participation, and effectiveness with respect to Avangrid's Board of Directors. Directors who are considering service on the board of a public company other than Avangrid must notify the Chairman before accepting membership on any such board. In any case, no director shall serve simultaneously as a director of more than three public companies, including Avangrid. Service on boards of subsidiary companies, private companies, and non-profit organizations shall be excluded from this determination. (For purposes of this paragraph, a public company is an entity that has a class of common equity securities that is registered under Section 12(b) or 12(g) of the Exchange Act.)

#### **4. Succession Planning**

The succession plan and the professional and personal competencies required for successors to the Chief Executive Officer will be reviewed periodically by the Chairman and the Compensation and Nominating Committee. If the Chief Executive Officer gives early notice of his or her desire to resign from his or her position, the succession thereof shall be planned and coordinated by the Chairman with the assistance of the Compensation and Nominating Committee. The Chairman may contract for the advice of an independent expert to be paid for by Avangrid.

Within a period of not more than thirty days from the date that the Chief Executive Officer gives early notice of his or her desire to resign from his or her position, the Chairman shall provide to the Board of Directors a specific proposal regarding the replacement thereof, which must take into consideration the special personal and professional skills of the candidate and the ability thereof to lead the development and implementation of the strategic plan in effect. The Compensation and Nominating Committee shall make a report on the candidate proposed by the Chairman for the evaluation and appointment by the Board of Directors.

In the event of limited or unexpected unavailability of the Chief Executive Officer, the Board of Directors shall approve a contingency plan for his or her succession with the assistance of the Compensation and Nominating Committee.

#### **5. Chief Executive Officer Evaluation**

The Board of Directors, with the assistance of the Compensation and Nominating Committee, will conduct an annual review of the Chief Executive Officer's performance in order to ensure that the Chief Executive Officer is providing the best leadership for Avangrid in the long- and short-term. If the Chief Executive Officer serves as the Chairman, then the lead independent director (the "Lead Independent Director") will preside over the Board of Directors when it meets for such purpose.

## 6. Information, Updating, and Evaluation of the Board of Directors

Avangrid has an orientation process for all new directors providing presentations from, and meetings, with key management designed to familiarize new directors with Avangrid's business, operations, finances and governance practices. In addition, all directors are expected to stay actively informed and up-to-date on current issues relating their responsibilities and are encouraged to participate in continuing education programs. In order to improve their knowledge of the Avangrid Group, presentations are made periodically to the members of the Board of Directors regarding the businesses of the Avangrid Group. In addition, a portion of each meeting of the Board of Directors may be dedicated to a presentation on economic, legal or political/social issues of importance to the Avangrid Group.

Senior members of management are expected to routinely attend meetings of the Board of Directors and, to the extent appropriate, committee meetings as requested by the Chairman or the committee chair, as applicable. Management is encouraged to invite other Avangrid personnel to meetings when their presence and expertise would help the Board of Directors or, to the extent appropriate, a committee, understand the matters being considered or to provide exposure to the Board of Directors for the purposes of management development.

Directors will have access to members of management, employees of Avangrid, and Avangrid's counsel, subject to their use of judgment to ensure that this access does not inappropriately interfere with the Avangrid Group business operations or inappropriately disclose confidential or sensitive information. Directors shall arrange any such meetings or contacts through the Secretary, who shall inform the Chairman. The Board of Directors may retain outside financial, legal, or other advisors at Avangrid's expense as they determine appropriate to assist them in the performance of their respective functions.

Annually the Board of Directors evaluates its operation and the operation of its committees. The Governance and Sustainability Committee shall oversee the conduct of such evaluation and may engage such advisors as the committee determines necessary to assist with such evaluation.

## 7. Duties and Obligations of Directors

The basic responsibility of directors is to exercise their business judgment in good faith to act in what they reasonably believe to be the best interests of Avangrid and its shareholders. In discharging this obligation, directors shall be entitled to rely on the honesty and integrity of their fellow directors and of Avangrid's management, outside advisors and outside auditors. The directors shall comply with the duties and obligations established by the SEC, the NYSE and other applicable laws, as well as the Governance and Sustainability System, which include the following duties:

- a) The duty of care. Each director must adequately prepare for and attend the meetings of the Board of Directors and the committees on which they serve and participate actively in the deliberations in order for his or her opinion to effectively contribute to decision-making. Directors are also expected to attend the Annual Shareholders' Meeting. In the event that, due to well-founded reasons, a director is unable to attend a specific meeting, such director shall notify the Secretary in advance of the meeting, which notification shall include the reason for such absence, and shall become informed about the matters addressed and the items approved at the meeting through discussions with the Chairman or other members of the Board of Directors or communications with the Secretary to the Board of Directors. This duty of care also includes the duty to inform the Board of Directors of any irregularities in the management of Avangrid of which a director may have had notice, and to monitor any situation of risk.
- b) The duty of confidentiality. Consistent with their fiduciary and other legal duties to Avangrid, directors shall protect and hold confidential all non-public information entrusted to or obtained by reason of their position as a director of Avangrid or its subsidiaries ("Confidential Information"). In keeping with their fiduciary duties and confidentiality obligations, directors shall refrain from the improper use of Confidential Information and shall only use Confidential Information for the benefit of Avangrid, and not for personal benefit or the benefit of other persons or entities and shall not disclose Confidential Information to any other person or entity, either during or after their service as a director of Avangrid, except with the written permission of the Board of Directors or the Chairman of the Board of Directors. Directors shall take appropriate precautions to safeguard Confidential Information and other proprietary information of the Avangrid Group, including, without limitation, complying with Avangrid's policies, procedures and regulations governing cyber and information security.
- c) The duty not to compete. While in office and for a term of two years following the end of a director's term, no director may serve as a director or officer of or render services to other companies having a corporate purpose that is similar,

in whole or in part, to that of the Avangrid Group, or that compete with it, with the exceptions set forth in the Governance and Sustainability System. Each director must disclose to Avangrid all the positions he or she holds and the activities such director carries out at other companies or entities, as well as their other professional commitments and any significant change in such director's professional status.

- d) The duty of loyalty. Each director has an obligation to report any conflict of interest and to refrain from participating in deliberations relating thereto, to submit any transactions with companies in the Avangrid Group for prior approval, and to inform Avangrid of any fact or event that may be relevant to their activities as a director. It also includes a prohibition against using corporate assets (including Confidential Information) in order to obtain any financial benefit and against taking advantage of business opportunities for their own benefit or for the benefit of related parties. Finally, directors must submit their resignation to the Board of Directors in cases of incompatibility, lack of competence, supervening prohibition against performing the duties of a director, and other instances established in the Governance and Sustainability System.

A conflict of interest exists when there is a direct or indirect conflict between the interest of the Avangrid Group and the personal interest of a director or such director's Associates. An "Associate" of a director includes any (1) Family Member (defined below) of a director, (2) any entity that a director or an Associate of a director controls, including any controlled corporations, limited partnerships or trusts, (3) any entity in which a director or Family Member of a director has a material financial interest including any entity in which the director or Associate of a director owns 10% or more of any class of voting securities), and (4) any entity in which the director or a Family Member is an officer, director, trustee, partner or employee and exercises, directly or indirectly, a significant influence on the financial and operational decisions of such entity. A "Family Member" consists of the following persons: any child, stepchild, grandchild, parent, stepparent, grandparent, spouse (or comparable co-habitation relationship), sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, in each case including adoptive relationships.

Directors must also observe the rules of conduct established by the regulations, rules and laws governing the U.S. securities market. In addition, directors must conform their behavior as directors to the ethical principles and obligations inherent to the culture and the corporate vision of the Avangrid Group set forth in the Code of Business Conduct and Ethics.

Directors must also observe any other rules that, acting under its powers of self-organization, the Board of Directors may approve at any time with the goal of improving the performance of their duties.

## 8. Director Remuneration and Share Ownership

The Board of Directors, with the assistance of the Compensation and Nominating Committee, will periodically review the level and components of compensation to be paid to directors and senior officers taking into account the dedication and responsibility assumed as well as their performance and achievement of objectives, all with a view toward making remuneration commensurate with enhancing the long-term return value of Avangrid for its shareholders. Shareholders will be given the opportunity to vote on all equity compensation plans, except employment inducement awards, option plans relating to mergers or acquisitions and tax qualified, excess benefit, and Section 423 plans. In the event that shareholder approval of an equity compensation plan is not required, such plan shall be approved by the Board of the Directors.

While the Board of Directors believes that it is important that each director owns shares of Avangrid, the Board also believes that an ownership requirement should not adversely affect its ability to attract diverse candidates. Accordingly, each member of the Board of Directors is encouraged, but not required, to purchase shares of Avangrid in order to align such member's financial interests of with those of Avangrid's shareholders. The Board of Directors, with the assistance of the Compensation and Nominating Committee, will periodically review the appropriateness of a share ownership requirement for members of the Board of Directors.

## 9. Meetings of the Board of Directors

The Board of Directors meets with the frequency that the Chairman deems appropriate, but at least four times per year, and must hold at least one meeting each calendar quarter. The schedule of regular meetings is set by the Board of Directors before the beginning of each fiscal year, and may be amended by resolution thereof or by decision of the Chairman. The Board of Directors will also meet when the Chairman calls a special meeting thereof or when a special meeting is requested by one-fourth of the directors, the Vice-Chairman, or the Lead Independent Director, if any. If a special meeting has been properly requested, the Chairman shall call the meeting within ten days of receipt of the request. Upon authorization by the Chairman, the Secretary (or their delegee) shall provide all directors with notice of each regular or special meeting. The

Chairman will determine the agenda for each meeting. Any director may propose the inclusion of additional agenda items that they deem necessary or appropriate in carrying out their duties by written request to the Chairman and the Secretary at least two days prior to the scheduled date of the meeting.

## 10. Positions on the Board of Directors

- a) **Chairman of the Board of Directors.** The Chairman shall chair the meetings of the Board of Directors, determine the agenda for each meeting, encourage participation and deliberation at each meeting, and ensure the proper operation of the Board of Directors and have such other duties as shall be determined by the Board of Directors. The Chairman shall also chair the Annual Shareholders' Meeting and ensure the proper operation of such meeting. In addition, the Chairman shall propose to the Board of Directors for approval the determination and modification of Avangrid's organizational structure, the appointment and removal of senior officers, and any compensation or indemnification to which they may be entitled with the assistance of the Compensation and Nominating Committee. The Chairman, with the assistance of the Compensation and Nominating Committee, will propose to the Board of Directors for approval the compensation for senior officers as well as the basic terms of their employment subject to the requirements of the rules of the NYSE and in accordance with the terms of these Guidelines.
- b) **Lead Independent Director.** If the Chief Executive Officer also serves as the Chairman, the Board of Directors shall appoint a Lead Independent Director. The Lead Independent Director shall have the power to chair meetings of the Board of Directors in the absence of the Chairman or Vice-Chairman, if any; to ask the Chairman to call a special meeting thereof; to participate with the Chairman in the planning of the annual schedule of meetings and in the preparation of the agenda for each meeting, including requesting the inclusion of matters on the agenda; to coordinate, meet with, and reflect the concerns of the non-executive directors and to lead the evaluation of the Chairman. The Lead Independent Director may also communicate with shareholders when so directed to do so by the Board of Directors.
- c) **Secretary of the Board of Directors.** The Secretary of the Board of Directors is responsible for drafting the minutes of the Board of Directors meetings, coordinating the work of the secretaries of the committees of the Board of Directors, and all matters relating to the Governance and Sustainability System and regulatory compliance. The Secretary also advises the Board of Directors on the status of the Governance and Sustainability System at any time, ensures that the resolutions of the Board of Directors take into account applicable good governance recommendations, reports on new governance initiatives, and shall have such other duties as shall be determined by the Board of Directors.

## 11. Checks and Balances System

The Governance and Sustainability System provides the measures necessary to ensure that neither the Chairman nor the Chief Executive Officer has decision-making power that is not subject to supervision of the Board of Directors. In this regard, the Board of Directors has established an Audit Committee, a Compensation and Nominating Governance Committee, a Governance and Sustainability Committee, an Executive Committee, and an Unaffiliated Committee to assist with the exercise of its oversight responsibilities. Furthermore, the role of Lead Independent Director serves as counterbalance to that of the Chairman when the Chairman also serves as the Chief Executive Officer, ensuring that the activities thereof are subject to proper controls. Subject to limitations in the By-Laws, the Board of Directors may from time to time establish additional committees as necessary or appropriate.

The Chair of each committee will inform the Board of Directors of the activities of such committee and any action taken during any meeting of such committee at the first meeting of the Board of Directors after the applicable meeting of the committee. Additionally, each committee will inform the Board of Directors regularly of its decisions, recommendations and significant developments and shall submit any recommendation or resolution that is subject to approval of the Board of Directors within a reasonable time prior to the contemplated meeting of the Board of Directors.

To ensure that non-management directors serve as an effective check on management and to encourage open discussion among such non-management directors, Avangrid's non-management directors will meet in executive sessions without management directors or management present on a periodic basis but no less than twice a year. If the non-management directors include anyone who is not independent within the meaning of the NYSE rules, then executive sessions shall be held for independent directors at least once a year. Executive sessions of the independent members of the Board of Directors will be led by a committee chair who is independent within the meaning of the NYSE rules, as designated by the Board of Directors from time to time. The executive sessions will include such topics as the non-management directors or



independent directors, as the case may be, determine, including, but not limited to, management's performance and board operations.

The Governance and Sustainability System of the Avangrid Group is also designed such that management power is not centralized within a single governance body or a single person, but rather is decentralized among the boards of directors of the subsidiary head of business companies, with Avangrid's main function being the supervision, organization, and strategic coordination of the Avangrid Group. The effective application of this system of checks and balances is verified on an annual basis as part of the evaluation of the operation of the Board of Directors. Avangrid engages an independent firm to evaluate and prepare a report on such system.

## 12. Committees of the Board of Directors

The Board of Directors has established an Audit Committee, which is composed of "independent" directors under the criteria established by the NYSE and any applicable laws and regulations. Members of the Audit Committee must also meet the standards set forth in Rule 10A-3(b)(1) under the Exchange Act.

The Board of Directors has established a Compensation and Nominating Committee, which is comprised of at least two directors who qualify as "outside" directors within the meaning of Section 162 (m) of the Internal Revenue Code, as amended, and as "non-employee" directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

The Board of Directors has established a Governance and Sustainability Committee, which is composed of at least two directors who qualify as "independent" directors under the criteria established by the NYSE and any applicable laws and regulations.

The Board of Directors has established an Executive Committee, the composition of which shall be determined by the Board of Directors, from time to time.

The Board of Directors has established an Unaffiliated Committee, the composition of which shall be determined pursuant to the Shareholder Agreement, dated December 16, 2015, between AVANGRID and Iberdrola, S.A. (the "Shareholder Agreement"), or as required by the rules or regulations of the SEC or the NYSE or applicable law.

Subject to limitations in the By-Laws, the Board of Directors may from time to time establish additional committees as necessary or appropriate. The committees of the Board of Directors will have an informative and consultative nature with no executive functions, except as set forth in the committee charters, the Shareholder Agreement, or as required by the rules or regulations of the SEC or the NYSE or applicable law. All significant findings of a committee will be presented to the full Board of Directors for discussion and review. Each committee established by the Board of Directors has the authority to retain outside financial, legal, compensation or other advisers at Avangrid's expense, which may be independent in the sole discretion of the committee, as the case may be. The Board of Directors will appoint a secretary for each committee. If the Board of Directors has not appointed a secretary for a committee, then the Secretary of the Board shall act as the secretary for such committee.

Each committee will have its own charter to the extent required by NYBCL, the rules and regulations of the SEC and NYSE, and other applicable law. The charters will establish the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and the committee reporting to the Board of Directors. Proposals to modify a committee charter may be approved by the Board of Directors or will be considered by the applicable committee at the request of the chair of the applicable committee or a majority of such committee's members. Any such modifications approved by the applicable committee, and not otherwise approved by the Board of Directors, will be reviewed and approved and ratified by the Board of Directors. The charters will also provide that each committee will annually evaluate its performance. Each charter will be made available on Avangrid's website.

## D. The Governance Model

The corporate structure of the Avangrid Group, which forms an essential part of the Governance and Sustainability System, is comprised of:

- Avangrid, which is a holding company consolidating its subsidiary head of business companies; and
- subsidiary head of business companies, which hold wholly-owned subsidiaries operating Avangrid's primary lines of business.

This structure operates jointly with the Avangrid Group's business model and is intended to encourage an agile and pragmatic decision-making process in day-to-day management that is dependent on the subsidiary head of business companies, while at the same time achieving appropriate coordination at the Avangrid Group level based on the supervisory duties performed by Avangrid. Based on this corporate structure, the Avangrid Group's governance model is determined upon the principles described below, which duly distinguish between day-to-day and effective management duties, on the one hand, and supervision and control duties, on the other:

- a) Attribution to Avangrid of the powers relating to establishing the Avangrid Group's policies and strategies and the basic guidelines for the management thereof, as well as general supervision of the development of such policies, strategies, and guidelines, and of decisions on matters of strategic importance at the Avangrid Group level.
- b) The subsidiary head of business companies of the Avangrid Group assume decentralized executive responsibilities, enjoy the independence necessary to carry out the day-to-day administration and effective management of each of the businesses, and are responsible for the day-to-day control thereof. These subsidiary head of business companies are organized through their respective boards of directors, and their own management decision-making bodies; they may also have their own audit committees, internal audit areas, and compliance divisions.

Avangrid is a member of the Iberdrola group of companies, of which Iberdrola, S.A. is the controlling member (the "**Iberdrola Group**"). Reflecting the purpose and values of the Iberdrola Group, the Iberdrola governance and sustainability system articulates the rules and principles governing the organization, operation, and conduct of the Iberdrola Group. Premised on a decentralized structure, Iberdrola, S.A. is responsible for the organization and strategic coordination of the Iberdrola Group with the management of each Iberdrola Group company vested in such company's board of directors. The Iberdrola governance and sustainability system provides a special framework of strengthened autonomy for members of the Iberdrola Group that are listed on a national stock exchange that empowers such companies to further develop their own governance and sustainability system. Avangrid's Governance and Sustainability System reflects, is consistent with, and further develops the main principles and policies that constitute the governance and sustainability system of Iberdrola, subject to certain exceptions, additions, and modifications required for publicly listed companies in the United States.

## **E. Compliance and Ethics**

### **1. Ethics and Compliance**

The Board of Directors expects the actions of all Avangrid Group directors, officers and employees reflect the highest standards of ethical behavior and compliance with the law and adhere to principles of integrity, honesty and social responsibility. As such, Avangrid maintains an ethics and compliance program that is designed to be effective in the context of the Avangrid Group business and operations. The Board of Directors shall be briefed upon and be provided information so that it may remain knowledgeable about the content and operation of the ethics and compliance program and shall exercise appropriate oversight with respect to the implementation and effectiveness of the compliance and ethics program. The Governance and Sustainability Committee oversees compliance with Code of Business Conduct and Ethics. The full text of the Code of Business Conduct and Ethics is posted on Avangrid's website. Avangrid will disclose on its website future amendments to or waivers from the standards for its executive officers and directors promptly upon any such amendment or waiver. Any waiver from its standards for directors or executive officers must be approved by the Governance and Sustainability Committee.

### **2. Compliance Unit**

As part of Avangrid's ethics and compliance program, Avangrid has established an independent permanent body supervised by the Governance and Sustainability Committee (the "Compliance Unit") that is responsible for managing regulatory compliance and compliance with the Code of Business Conduct and Ethics, and certain other policies and procedures that comprise the Governance and Sustainability System. The Board of Directors, upon proposal by the Governance and Sustainability Committee, shall appoint the members of the Compliance Unit in accordance with the provisions of the Regulations of the Compliance Unit, including, without limitation, an external chair of the Compliance Unit, a secretary of

the Compliance Unit, and a Chief Compliance Officer, each of which shall have the role, responsibilities and duties set forth in the Regulations of the Compliance Unit adopted by the Board of Directors, upon the recommendation of the Governance and Sustainability Committee, from time to time. Annually, the Compliance Unit shall prepare and provide to the Governance and Sustainability Committee a Report on Ethics Compliance regarding Avangrid's compliance system. Annually, the Compliance Unit shall also prepare and provide to the Audit Committee the Report on Separation of Activities. The Governance and Sustainability Committee shall report on the Report on Ethics and Compliance and the Audit Committee shall report on the Report on Separation of Activities to the Board of Directors.

### 3. **Ethics and Compliance Helpline**

Avangrid has established an Ethics and Compliance Helpline (the "Ethics and Compliance Helpline") enabling any director, officer or employee or other interested third party of any member of the Avangrid Group to confidentially report any conduct that may involve a breach of the Governance and Sustainability System or the commission by a director, officer or employee of the Avangrid Group of an act that is illegal or in violation of the rules of conduct of the Code of Business Conduct and Ethics. The Avangrid Group undertakes not to make any direct or indirect retaliation against persons for reporting through such Ethics and Compliance Helpline known or suspected incidents of fraudulent or illegal conduct or violations of Avangrid's Internal Reporting and Whistleblower Protection Policy in good faith. Punishment, penalties, and all other forms of retaliatory action are strictly prohibited. The Compliance Unit through the Chief Compliance Officer and any compliance units created at subsidiary head of business companies of the Avangrid Group shall be responsible for processing communications received through the Ethics and Compliance Helpline.

## F. **Stakeholder Engagement**

Avangrid's commitment to transforming the current energy model towards a new one in which the priority is the well-being of people and the conservation of the planet is reflected in the Purpose and Values of the Avangrid Group. Listening to stakeholders and responding thoughtfully to their concerns and ideas are vital to the success of Avangrid's businesses, to the contribution to the social dividend of the Iberdrola Group, and achievement of the Sustainable Development Goals (SDGs) approved by the member states of the United States. This is not possible without the strong engagement of Avangrid's stakeholders in Avangrid's enterprise. Avangrid engages formally and informally with a broad range of stakeholders on an ongoing basis, including, without limitation, Avangrid people, customers, suppliers, regulators, shareholders and the financial community, and the media. The Board of Directors oversees the strategy and general structure of Avangrid's stakeholder engagement based on the principles of responsibility, transparency, active listening, participation, consensus, cooperation and continuous improvement. Avangrid has developed a stakeholder engagement process and model that guides Avangrid leaders in setting specific engagement strategies and ensures appropriate coordination and compliance with ethical principles, the Governance and Sustainability System, and all applicable laws, regulations and risk management policies that is consistent with the principles set forth in Avangrid's Stakeholder Engagement Policy as in effect from time to time.

Avangrid's corporate website ([www.avangrid.com](http://www.avangrid.com)) plays a key role in its innovation and digital transformation strategy and provides transparent information regarding Avangrid's businesses, the Avangrid Group, stakeholder engagement and the Governance and Sustainability System. Avangrid's corporate website is also a key mechanism for communicating and engaging with stakeholders. Avangrid uses the corporate website as a channel to publicly disseminate information consistent with the Avangrid's Fair Disclosure Policy.

## G. **Sustainable Development and Avangrid Foundation**

Reflecting the Purpose and Values of the Avangrid Group, Avangrid is committed to a strategy of innovation and digital transformation that focuses on creating shared value for its employees, customers, shareholders and other stakeholders. Avangrid has adopted a Sustainable Development Policy, which sets forth Avangrid's sustainable development strategy, corporate social responsibility practices, and incorporates the Sustainable Development Goals (SDGs) approved by the member states of the United Nations into Avangrid's business model and strategy. As a member of the Iberdrola Group, Avangrid contributes to the social dividend of the Iberdrola Group and the achievement of the SDGs. This social dividend measures the positive direct, indirect and induced economic, social and environmental impacts of the Iberdrola Group's activities.

A key aspect of Avangrid's commitment to sustainable development and corporate social responsibility is implemented in collaboration with the Avangrid Foundation. The Avangrid Foundation is committed to supporting initiatives that enhance

the quality of life where the Avangrid Group operates, with a focus on energy sustainability, the environment, art and culture, and cooperation and solidarity. The Avangrid Foundation is independent from Avangrid and is managed by the Avangrid Foundation board of directors.

Under the oversight of the Governance and Sustainability Committee, Avangrid regularly reports and publicly disseminates information on its sustainable development activities, social, environmental and governance performance, and contribution to the social dividend generated and shared with its stakeholders.

## **H. Iberdrola Brand**

As a member of the Iberdrola Group, Avangrid may benefit from the strategic value of the Iberdrola brand and must ensure that its use of the Iberdrola brand is associated with the principles set out in the Purpose and Values of the Iberdrola Group, and the Iberdrola Group's commitment to the maximization of its social dividend and the sustainable creation of value, the improvement of quality of life, the safety of people and of supply, the protection of the environment and customer focus. The Avangrid Group may, from time to time, license the Iberdrola brand and shall use the Iberdrola brand in accordance with any corresponding brand licensing agreement entered into with Iberdrola, S.A. from time to time and the terms of the Iberdrola, S.A. Brand Policy, including, without limitation in the same manner and in accordance with the standards of the Iberdrola, S.A. Brand Usage Guide in effect from time to time, as well as with the quality control clauses established in the brand licensing agreement. The use of the Iberdrola brand by the Avangrid Group in carrying on its businesses and in activities with third parties, through sponsorship or other legal agreements, must be aimed at strengthening its value, maintaining the reputation of the Iberdrola Group's companies.