

Introduction to the Corporate Governance System

I. Iberdrola's Identity and its Three Dimensions: Business, Corporate and Institutional

1. The origin of Iberdrola, S.A. ("**Iberdrola**" or the "**Company**") goes back to 1901, when it was organised in Bilbao under the name Hidroeléctrica Ibérica, S.A. in order to meet the growing demand for electric power in the principal industrial regions of the north of Spain.
2. It is currently an international, independent company domiciled in Biscay, and listed on the securities market, which constitutes an historical, business, corporate and institutional reality of tremendous size and unquestionable value and significance, a reference point for diverse Stakeholders and the economic and social environment in which it does business.
3. Iberdrola focuses its activities on the energy sector, and heads a leading group in the production, transmission, distribution and supply of electricity, an essential item for millions of users and customers, through the use of environmentally-friendly and innovative sources and technologies, at the vanguard of the digital transformation.
4. Iberdrola directs the development of its corporate object and all its business activities to the achievement of a purpose and the realisation of its own values, which constitute its *raison d'être* and a synthesis of how it operates.

Iberdrola's purpose, its *raison d'être*, is *to continue building together each day a healthier, more accessible energy model, based on electricity*, which contributes to the Sustainable Development Goals (SDGs) approved by the United Nations (especially those relating to universal access to electricity and the fight against climate change, but also to others like the promotion of innovation, the development of education, the protection of biodiversity, gender equality, the empowerment of women and special attention on less-favoured social groups), as well as respect for and protection of human rights in its sphere of conduct. Its corporate values, namely, sustainable energy, integrating force and driving force, together with what is implicit in the above-described purpose, constitute the ideological and axiological basis of Iberdrola and its business enterprise.

5. By reaching its purpose and putting its values into practice, Iberdrola is in fact accepting the mandate expressed by its shareholders through consecutive bylaw amendments and thus stands as a business reality that transcends its nature as purely and merely a commercial company, without negating it.

It aspires to develop a comprehensive business function, to be recognised as an enterprise that is institutional, open and committed to its Stakeholders and the communities in which it has a presence, and to combine its legal legitimacy with a new social legitimacy, based on its desire to play an active part and to assume a strong leadership role in the search for sustainable progress, within the framework of the social market economy and the global society in which it operates and does business.

6. With this projection, Iberdrola conceives of the corporate interest, in its own and different way, as the common interest of all shareholders of an independent company, the holder of an institutional enterprise, focused on the creation of sustainable value, always in accordance with its purpose and distinctive values and with what they mean.
7. The integral business function that it performs means that, together with the financial dividend that is paid to its shareholders and remunerates their investment, Iberdrola also pursues the creation of social, sustainable and responsible value for all Stakeholders, groups, especially the most vulnerable, and communities affected by its activities, sharing it with them in the form of a social dividend, which is the measure of its economic, social and environmental contribution to its surroundings, to the progress of the society in which it is integrated and to the aforementioned Sustainable Development Goals.
8. Consistent with the above, Iberdrola does not identify its shareholders as mere contributors of capital, but, on the contrary, as parties interested in the corporate life in which they are involved, and even more so, as participants in its purpose and values; they are thus holders of an investment focused on proportional profits and sustainable long-term returns.

Likewise, Iberdrola promotes a framework of relations with its Stakeholders and communities in which it is rooted, based on active listening and on ongoing dialogue, on the principles of transparency and equal treatment, which also allows for these Stakeholders to participate in its purpose, its values and its business enterprise, creating strong ties that generate trust and forge a sense of belonging to and participation in a great institutional enterprise.

9. Finally, Iberdrola's identity is also based on its Corporate Governance System, i.e. on its own internal rules, conscientiously developed as an instrument of organisation for all of its members to achieve its purpose and values, the corporate interest and the social dividend, and to guarantee its enterprise, identity and independence.

II. The Iberdrola group

10. Iberdrola leads, as the holding company, a group of companies present in Spain, Portugal, the United Kingdom, the United States of America, Mexico and Brazil, among other countries, structured into three levels that differentiate the functions of strategy, supervision and control of the overall group (attributed to the holding company), those of organisation and coordination of the businesses of each country (corresponding to the country subholding companies), and those of day-to-day administration and effective management of each of such businesses (the purview of the head of business companies).

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11. The corporate and governance structure of the Iberdrola group operates jointly with the Group's Business Model, which allows the global integration of the businesses, seeks to achieve maximum operational efficiency of the various units, and ensures the dissemination, implementation and monitoring of the general strategy, the basic management guidelines established for each of them, and best practices.
- The Group's Business Model combines a decentralised decision-making structure, inspired by the principle of "subsidiarity", with robust coordination mechanisms that ensure the global integration of all of the group's businesses, above all based on an effective checks-and-balances system, which prevents management power from being centralised within a single governance body or a single person.
12. The Iberdrola group has minority shareholders not only within the holding company, but also within two of its country subholding companies: the Brazilian company Neoenergia, S.A. and the U.S. company Avangrid, Inc., which are also listed on the securities market. Within a special framework of strengthened autonomy enjoyed by these listed country subholding companies, Iberdrola ensures that the legitimate interests of the shareholders of said companies other than Iberdrola have sufficient protection and adequately co-exist with the general interests of the group and with the interests of the shareholders of the holding company.

III. Iberdrola's Corporate Governance System

13. The Corporate Governance System constitutes the internal framework of rules for Iberdrola, configured in exercise of the corporate autonomy that the law supports, to ensure through its rules the achievement of its ends and goals, as well as the preservation of its philosophy and identity.
14. The Corporate Governance System, inspired by the *Purpose and Values of the Iberdrola group*, is based on the *By-Laws*, a body of provisions approved by the shareholders at the General Shareholders' Meeting which represents the maximum expression of the corporate autonomy of Iberdrola and which constitutes the primary source of its internal system of rules.
- The *By-Laws*, and particularly the preliminary title thereof, contain the purpose, the definition of Iberdrola's enterprise, the particular concept of the corporate interest that must govern the conduct of its management bodies, the commitment to the social dividend, and the determination of the essential basis and of the most significant foundations and aspects of its business, corporate and institutional organisation, which make up its virtual soul.
15. These basic principles, and the *By-Laws* as a whole, are based on and should be interpreted in accordance with the provisions of the *Purpose and Values of the Iberdrola group*, the corporate philosophy of the group on which Iberdrola's enterprise is based, which informs its focus and the organisation, and guides its strategy, governs the activities of all the companies of which it is comprised, as well as the initiatives and decisions thereof.
16. The *Purpose and Values of the Iberdrola group* are also the basis for the *Code of Ethics*, which further develops and gives concrete shape to the text thereof, is applicable to the directors, professionals and suppliers of the group, and seeks to foster a culture based on ethics and on a commitment to sustainable development, shared by all those participating in the group's value creation chain.
17. The Corporate Governance System includes another three regulatory foundations in addition to the *By-Laws* and the *Purpose and Values of the Iberdrola group* and the *Code of Ethics*: (i) the corporate policies; (ii) the governance rules of the corporate decision-making bodies and of other functions and internal committees, and (iii) the rules relating to compliance, which group together the rules intended to prevent market abuse.
18. Within the framework of the law and the *By-Laws*, the corporate policies define the directives and guidelines for conduct in which the *Purpose and Values of the Iberdrola group* take shape and which guide the conduct of the shareholders, directors and professionals of the group. These policies, inspired by the business and ethical ideas, principles and values making up Iberdrola's ideological and axiological foundation, contain the detailed guidelines and directives on conduct ensuring that the group's strategy is consistent therewith, reducing discretionary conduct in management and favouring the strengthening and enrichment of the Iberdrola group's reality and identity. The Corporate Policies are grouped into three categories: (i) corporate governance and regulatory compliance, (ii) risks, and (iii) sustainable development.
19. The governance rules of the corporate decision-making bodies and of other functions and internal committees include regulations, codes and procedures that establish, among other things, the composition, powers and rules of operation thereof, as well as the duties and obligations of their members.
20. Finally, the block relating to compliance, which contains the market abuse prevention rules, contains all of the rules approved by the Board of Directors to avoid this type of conduct, ensure equal treatment of all investors and the protection thereof against the improper use of inside information regarding the Company, as well as conduct constituting market manipulation.
21. Consistent with the structure described above, the Corporate Governance System is formally ordered into five books: Book One, which contains the *By-Laws*; Book Two, which contains the *Purpose and Values of the Iberdrola group* and the *Code of Ethics*, Book Three, which groups together the corporate policies, Book Four, which contains the governance rules of the corporate decision-making bodies and of other functions and internal committees; and finally, Book Five, which contains the regulatory compliance rules deriving from the Company's presence in the securities markets.
22. Iberdrola aspires for its Corporate Governance System to enjoy the highest possible levels of compliance and dissemination,

particularly taking advantage of the most advanced, environmentally-friendly technologies. Therefore, the full text or a summary of the documents that make up the Company's Corporate Governance System is available on the Company's corporate website (www.iberdrola.com). They are also published in accessible formats so that they can be consulted using the most frequently utilised electronic devices, including smart phones, tablets and computers.

23. The Corporate Governance System is subject to a process of constant revision to ensure that it is always suitable and conforms to the facts and circumstances requiring any such revision, and includes the best practices in this area.

In this work to further improve and continually update the Corporate Governance System, Iberdrola draws on the external advice of the law firms "CMS Albiñana & Suárez de Lezo", "Cortés, Abogados", "Garrigues" and "Uría Menéndez".

In Bilbao, on 21 July 2020

The Board of Directors of Iberdrola, S.A.