



Environmental Policy



19 April 2021

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The Board of Directors of IBERDROLA, S.A. (the “**Company**”) has the power to design, assess and continuously revise the Governance and Sustainability System, and specifically to approve and update the corporate policies, which contain the guidelines governing the conduct of the Company and of the companies belonging to the group of which the Company is the controlling entity, within the meaning established by law (the “**Group**”).

In the exercise of these responsibilities, and aware that leadership in the development of sustainable energy and respect for the environment are the pillars of the Group’s energy production model and some of the cornerstones of the *Purpose and Values of the Iberdrola group*, the Board of Directors hereby approves this *Environmental Policy* (the “**Policy**”).

1. Purpose

The *Policy* is intended to establish a framework of reference for integrating the protection of nature and the environment within the Group’s strategy, as well as its investments and operations, and define the principles of conduct for environmental management and the management of natural capital.

The Company considers respect for the environment to be one of the central elements of the concept of sustainability, and particularly one of the three pillars for reaching a sustainable energy model, together with competitiveness and the safety of supply. The Group is therefore committed to continue taking a leading position in the development of a sustainable energy model, based on the use of renewable energy sources and smart grids, electrification, efficiency, reduction in emissions and digital transformation, where respect for and the protection of the environment is integrated into all of its activities and processes. The Group is also committed to compliance with environmental regulations and international best practices in this area.

Through a business model and supported by a practice favouring transparent information and ongoing dialogue, the Group responds to the expectations of its Stakeholders with respect to the preservation of the environment, ever more stringent regulatory requirements, and constant scrutiny of management by analysts, assessors and various agents of society in general

The Group’s commitment to leadership in the development of sustainable energy is aligned with the achievement of Sustainable Development Goals (SDGs) six, seven, twelve, thirteen, fourteen, fifteen and seventeen approved by the United Nations.

2. Scope of Application

This *Policy* applies to all companies of the Group, as well as to all investees not belonging to the Group over which the Company has effective control, within the limits established by law.

Without prejudice to the provisions of the preceding paragraph, listed country subholding companies and their subsidiaries, based on their own special framework of strengthened autonomy, may establish an equivalent policy, which must be in accord with the principles set forth in this *Policy* and in the other environmental, social and corporate governance and regulatory compliance policies of the Governance and Sustainability System.

At those companies in which the Company has an interest and to which this Policy does not apply, the Company will promote, through its representatives on the boards of directors of such companies, the alignment of their own policies with those of the Company.

This *Policy* shall also apply, to the extent relevant, to the joint ventures, temporary joint ventures (*uniones temporales de empresas*) and other equivalent associations, if the Company assumes the management thereof.

3. Main Principles of Conduct

To implement its commitment to the environment and boost environmental sustainability, the Group articulates the following main principles of conduct that apply to all of its activities and businesses and that shall be integrated within the internal decision-making processes:

- a. develop a sustainable model that is respectful of nature, biodiversity and historical and artistic heritage;
- b. comply with legal provisions and conform to applicable environmental standards.
- c. apply the principle of mitigation hierarchy (avoid, minimise, restore and compensate as a last resort) in all activities;
- d. promote innovation through research and support for the development of new technologies and best environmental practices;
- e. use natural capital sustainably. In particular:
 - to make rational and sustainable use of water, managing the risks relating to water scarcity and ensuring that water used is returned to the environment in the desired condition;
 - improve the circularity of its business activities and those of its suppliers, through the sustainable use of natural resources, the implementation of life cycle analysis, the eco-design of its infrastructures, the application of the waste hierarchy, as well as the optimisation of waste management and the use of recycled materials; and
 - integrate the protection and promotion of biodiversity into the Group’s strategy and develop a business model that is sustainable and positive with nature;
- f. conserve, protect and promote the development and growth of natural heritage;
- g. implement Environmental Management Systems that apply precautionary and continuous improvement principles and place the environment at the centre of decision-making through:

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- assessing the environmental risks of its activities, facilities, products and services on a regular basis, improving and updating the mechanisms designed to prevent, mitigate or eradicate them;
 - ongoing identification, assessment and mitigation of the environmental impacts of the Group's activities, facilities, products and services;
 - management of risks and impacts by establishing objectives, programmes and plans that promote the continuous improvement of the Group's environmental processes and practices, and establishment of monitoring, control and audit mechanisms; and
 - environmental training of the Group's professionals;
- h. reduce environmental impact and improve the Group's environmental performance from a life-cycle perspective;
 - i. encourage the engagement of the Stakeholders in Iberdrola's business enterprise pursuant to the provisions of the *Stakeholder Engagement Policy*, which contemplates, among other things, the strong involvement of the Group's companies in the communities in which they operate and the creation of shared sustainable value for all of them;
 - j. raise awareness, train and involve the Group's professionals, subcontractors, suppliers and other Stakeholders in the commitments and principles of this *Policy*; and
 - k. report transparently on environmental results and activities.

4. Priority Lines of Action

In order to achieve its commitment to nature and the environment and to promote environmental sustainability and respect for nature, the Group is working on three priority lines of action, in which the main principles of conduct set out in the preceding section shall be applied:

- a. climate action;
- b. protection of biodiversity; and
- c. circular economy.

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This *Policy* was initially approved by the Board of Directors on 18 December 2007 and was last amended on 19 April 2021.