

June 2020

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# Corporate Governance System Amendments

# Corporate Governance System Updates

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## Overview

The Board of Directors of Iberdrola, S.A. (“**Iberdrola**”), as the head of its group, has the power to design, assess, and continuously revise the Iberdrola Corporate Governance System (comprising Corporate Policies, and Internal Procedures and Protocols).

This facilitates the ongoing development of the principles, rules, and guidelines which govern the general conduct of the Iberdrola Group, including the Company and its group of companies, as well as their directors, officers, and employees.

## Implementation

In accordance with the *Iberdrola General Corporate Governance Policy*, Scottish Power Limited is responsible for disseminating, implementing, and supervising the general strategy and the basic management guidelines at the country level with respect to the Head of Business companies grouped under it, taking into account the characteristics and unique aspects thereof.

In this manner, the ScottishPower group incorporates as far as applicable, within its own system of corporate governance, the Iberdrola Corporate Governance System.

## Latest updates

The latest amendments to the Iberdrola Corporate Governance System were approved by the Iberdrola Board of Directors on 24<sup>th</sup> February and 28<sup>th</sup> April, and at the Iberdrola General Shareholders Meeting on 2<sup>nd</sup> April. Those amendments which pertain to the ScottishPower group (to which the Company Group belongs) were adopted or noted as appropriate by the Board of Directors of Scottish Power Limited on 12 May 2020.

Accordingly, those amendments which pertain to the ScottishPower group are proposed in the following slides to be adopted or noted as appropriate by the Board of Directors of the Company.

# Corporate Governance System Updates

## Proposals for ADOPTION

The following **updated policies and procedures** are proposed to be **ADOPTED** by the Board:

Document	Purpose / rationale	Main change(s)
<b><u>BOOK III: CORPORATE POLICIES – CORPORATE GOVERNANCE AND REGULATORY COMPLIANCE POLICIES</u></b>		
<ul style="list-style-type: none"> <li><b>Personal Data Protection Policy</b></li> </ul>	The Personal Data Protection Policy establishes the general principles that must govern personal data processing by all of the Group companies.	Updates to strengthen the defined commitment towards human rights. Technical improvements to align semantics in other policies.
<b><u>BOOK III: CORPORATE POLICIES – RISK POLICIES</u></b>		
<ul style="list-style-type: none"> <li><b>Summary of the Corporate Risk Policies</b></li> </ul>	Risk Policies are intended to be applied across all Group companies, subject to the specific terms, exceptions and specifications provided in the General Risk Control and Management Policy	Technical improvements and content updates following the annual review by Risk Management taking into account business developments and group activity, as well as risk thresholds. The specific Risk Policies proposed for adoption by the Board are presented in the paper apart.
<b><u>BOOK III: CORPORATE POLICIES – SUSTAINABLE DEVELOPMENT POLICIES</u></b>		
<ul style="list-style-type: none"> <li><b>General Sustainable Development Policy</b></li> </ul>	The Sustainable development policies set out the general principles and establish the basis that govern the Group's sustainable development strategy so as to guarantee that all corporate activities and businesses promote the creation of value in a sustainable way.	Update the contents of the General sustainable development policy and the Stakeholder relations policy to incorporate the amendments to the By-Laws, with respect to the link between the Code of Ethics and social interest and the updating of the definition of social dividend.  Technical changes (e.g. updating stakeholder category groupings, and improvements to align semantics in other policies).

# Corporate Governance System Updates

## Proposals for ADOPTION (*continued*)

The following **updated policies and procedures** are proposed to be **ADOPTED** by the Board:

Document	Purpose / rationale	Main change(s)
<b><i>BOOK III: CORPORATE POLICIES – SUSTAINABLE DEVELOPMENT POLICIES (continued)</i></b>		
<ul style="list-style-type: none"> <li><b><i>Corporate Security Policy</i></b></li> </ul>	This policy lays out the general principles and guidelines that govern the Group's commitment to excellence regarding the security of people and of its critical assets and infrastructure.	Updates to strengthen the defined commitment towards human rights. Technical improvements to align semantics in other policies.
<ul style="list-style-type: none"> <li><b><i>Human Resources Framework Policy</i></b></li> </ul>	This policy lays out the general principles and guidelines that govern the Group's strategy for respect for diversity, equality of opportunity and non-discrimination, as well as the interests of professionals.	
<ul style="list-style-type: none"> <li><b><i>Equal Opportunity and Reconciliation Policy</i></b></li> </ul>	This policy lays out the general principles and guidelines that govern the Group's strategic objective towards the development of employment relationships based on equal opportunity, non-discrimination and respect for diversity.	Technical improvements to align semantics in other policies.
<ul style="list-style-type: none"> <li><b><i>Stakeholder Engagement Policy (formerly Stakeholder Relations Policy)</i></b></li> </ul>	This policy defines the commitment to the social dividend, which is understood as the sustainable creation of value for all stakeholders.	Updates to align the content of the policy with best practice and recommendations that would allow Iberdrola to rank higher in the Dow Jones Sustainability Index, to strengthen the definition of the commitment towards human rights, and other technical changes.
<ul style="list-style-type: none"> <li><b><i>Policy on Respect for Human Rights</i></b></li> </ul>	This policy defines respect for human rights as a main pillar of the Group's culture of social responsibility.	Updates to strengthen the defined commitment towards human rights. Technical improvements to align semantics in other policies. Reform in accordance with the amendment proposed by CSR and Reputation Management to update the basic principles and those establishing relations with stakeholders.

# Corporate Governance System Updates

## Proposals for ADOPTION (*continued*)

The following **updated policies and procedures** are proposed to be **ADOPTED** by the Board:

Document	Purpose / rationale	Main change(s)
<u><i>INTERNAL POLICIES AND PROCEDURES</i></u>		
<ul style="list-style-type: none"><li><i>Procedure for approving proposed appointments or removals of directors at companies in which the Iberdrola Group holds an interest</i></li></ul>	This procedure sets out the internal process for clearances regarding the appointment of directors of the Group.	Update of Schedule to remove “Siemens Gamesa Renewable Energy, S.A.” from this list following the sale of the Iberdrola group's entire stake in that company.

# Corporate Governance System Updates

## Proposals for NOTING

The following [updated policies and regulations](#) are proposed to be **NOTED** by the Board:

Document	Purpose / rationale	Main change(s)
<b><u>INTRODUCTION</u></b>		
<ul style="list-style-type: none"> <li><a href="#">Introduction to the Iberdrola, S.A. Corporate Governance System</a></li> </ul>	Explanatory document for the Iberdrola, S.A. Corporate Governance System books, which are relevant to the derived governance systems of the Group's subsidiaries.	Technical and semantic changes (e.g. to mention Neoenergia, S.A. is a listed company).
<b><u>BOOK I: BY-LAWS</u></b>		
<ul style="list-style-type: none"> <li><a href="#">By-Laws of Iberdrola, S.A.</a></li> </ul>	The Bylaws are the basic rule that regulates the operation of Iberdrola, SA. As Iberdrola, S.A. is the ultimate parent of the Company, and head of the Iberdrola, S.A. group, this has relevance to the Group's subsidiaries.	Changes to acknowledge the link between Code of Ethics and the corporate interest, further development of the definition of social dividend, the By-Law's recognition of the Compliance System, and decrease the share capital as a consequence of the amortization of shares annually approved by the General Shareholders' Meeting to compensate the capital increases derived from the script dividend.
<b><u>BOOK III: BOOK III: CORPORATE POLICIES – CORPORATE GOVERNANCE AND REGULATORY COMPLIANCE POLICIES</u></b>		
<ul style="list-style-type: none"> <li><a href="#">Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors</a></li> </ul>	This policy manages the information provided to shareholders, Institutional Investors and the markets, safeguarding the exercise of their rights and interests	Technical updates, including provisions on Spanish Securities Market Commission (CNMV) (communicating of non-public information, etc.), and virtual communication and contacts with shareholders, institutional investors .
<b><u>BOOK IV: GOVERNANCE RULES OF THE CORPORATE DECISION-MAKING BODIES AND OF OTHER FUNCTIONS AND INTERNAL COMMITTEES</u></b>		
<ul style="list-style-type: none"> <li><a href="#">Regulations of the Iberdrola, S.A. General Shareholders' Meeting</a></li> </ul>	These rules govern the management and operation of this respective body, and accordingly have relevance to the Group's subsidiaries.	Amendments to attribute to the General Meeting the power to approve non-financial information, and to update the regulation on the right to information and remote participation mechanisms.
<ul style="list-style-type: none"> <li><a href="#">Regulations of the Iberdrola, S.A. Board of Directors</a></li> </ul>		Updating of the Regulations of the Board of Directors and of the regulations for advisory committees to establish that meetings held in several interconnected places shall be understood as taking place at the registered office. Changes to acknowledge the link between Code of Ethics and the corporate interest, further development of the definition of social dividend, etc.

# Corporate Governance System Updates

## Proposals for NOTING (*continued*)

The following [updated policies and regulations](#) are proposed to be **NOTED** by the Board:

Document	Purpose / rationale	Main change(s)
<b><u>BOOK IV: GOVERNANCE RULES OF THE CORPORATE DECISION-MAKING BODIES AND OF OTHER FUNCTIONS AND INTERNAL COMMITTEES</u></b>		
<ul style="list-style-type: none"> <li><a href="#">Regulations of the Iberdrola, S.A. Audit and Risk Supervision Committee</a></li> <li><a href="#">Regulations of the Iberdrola, S.A. Appointments Committee</a></li> <li><a href="#">Regulations of the Iberdrola, S.A. Remuneration Committee</a></li> <li><a href="#">Regulations of the Iberdrola, S.A. Sustainable Development Committee</a></li> </ul>	These rules govern the management and operation of this respective body, and accordingly have relevance to the Group's subsidiaries.	Updating of the Regulations of the Board of Directors and of the regulations for advisory committees to establish that meetings held in several interconnected places shall be understood as taking place at the registered office, and other technical changes.
<b><u>BOOK V: COMPLIANCE</u></b>		
<ul style="list-style-type: none"> <li><a href="#">Internal Regulations for Conduct in the Securities Markets</a></li> </ul>	The rules on market abuse are specific, and apply to shareholders of Iberdrola, S.A. and those individuals who, at any given time, may be considered, due to the performance of their duties within the Group, as being "affected" because of the information they handle. These rules accordingly have relevance to the Group's subsidiaries.	Updates to the Internal Regulations for Conduct in the Securities Markets after the CNMV communication rendering the discretionary portfolio management 2013 criteria null and void.
<ul style="list-style-type: none"> <li><a href="#">Internal Regulations for the Processing of Inside Information</a></li> </ul>		Updates to replace references to relevant information with the new categories established by the Spanish Securities Market Commission (CNMV) (communicating of non-public information and of other relevant information), and to update the processing and dissemination of non-public information in internal compliance rules.
<ul style="list-style-type: none"> <li><a href="#">Action Protocol in the Event of a Leak or Unlawful Use of Inside Information (new name)</a></li> </ul>		Update on the processing and dissemination of non-public information in internal compliance rules.
<ul style="list-style-type: none"> <li><a href="#">Summary of the Action Protocol in the Event of a Leak or Unlawful Use of Inside Information (new name)</a></li> </ul>		

# Corporate Governance System Updates

## Proposals for NOTING (*continued*)

The following [updated policies and regulations](#) are proposed to be **NOTED** by the Board:

Document	Purpose / rationale	Main change(s)
<b><u>BOOK V: COMPLIANCE</u></b>		
<ul style="list-style-type: none"><li><a href="#">Action Protocol for the Management of News and Rumours</a></li></ul>	The rules on market abuse are specific, and apply to shareholders of Iberdrola, S.A. and those individuals who, at any given time, may be considered, due to the performance of their duties within the Group, as being “affected” because of the information they handle. These rules accordingly have relevance to the Group’s subsidiaries.	<p>Updates to replace references to relevant information with the new categories established by the Spanish Securities Market Commission (CNMV) (communicating of non-public information and of other relevant information), and to update the processing and dissemination of non-public information in internal compliance rules.</p> <p>Update on the processing and dissemination of non-public information in internal compliance rules.</p>



# Corporate Governance System Updates – Summary

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It is proposed that the Board of Directors of the Company **ADOPTS** the updates of:

- *the Personal Data Protection Policy*
- *the Summary of the Corporate Risk Policies*
- *the General Sustainable Development Policy*
- *the Corporate Security Policy*
- *the Human Resources Framework Policy*
- *the Equal Opportunity and Reconciliation Policy*
- *the Stakeholder Engagement Policy (formerly Stakeholder Relations Policy)*
- *the Policy on Respect for Human Rights*
- *the Procedure for approving proposed appointments or removals of directors at companies in which the Iberdrola Group holds an interest*

# Corporate Governance System Updates – Summary

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It is proposed that the Board of Directors of the Company **NOTES** the updates of:

- *the Introduction to the Iberdrola, S.A. Corporate Governance System*
- *the Iberdrola, S.A. By-Laws*
- *the Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors*
- *the Regulations of the Iberdrola, S.A. General Shareholders' Meeting*
- *the Regulations of the Iberdrola, S.A. Board of Directors*
- *the Regulations of the Iberdrola, S.A. Audit and Risk Supervision Committee*
- *the Regulations of the Iberdrola, S.A. Appointments Committee*
- *the Regulations of the Iberdrola, S.A. Remuneration Committee*
- *the Regulations of the Iberdrola, S.A. Sustainable Development Committee*
- *the Internal Regulations for Conduct in the Securities Markets*
- *the Internal Regulations for the Processing of Inside Information*
- *the Action Protocol in the Event of a Leak or Unlawful Use of Inside Information*
- *the Summary of the Action Protocol in the Event of a Leak or Unlawful Use of Inside Information*
- *the Action Protocol for the Management of News and Rumours*

**And AUTHORISES that:** each of the Directors and the Company Secretary (i) implement and cause to be implemented the matters hereby adopted and noted on behalf of the Company, and (ii) take all such steps as necessary, desirable, and expedient and to ensure compliance and alignment with the corporate governance system framework and principles foreseen in these resolutions.