

Business and Human Rights Business
Center

Subject: Iberdrola's response to story:
Renewable energy (in)justice in Latin
America.

Madrid, 7st February 2023

Dear sir/madam,

On the occasion of the report "Renewable energy (in)justice in Latin America" published by your organization, Iberdrola appreciates the opportunity to respond to the contents included therein.

First and foremost, we would like to highlight that Iberdrola was tagged to the report because of its presence in the region, but **no because an specific Iberdrola's violation is described among those describes in the report.**

Nevertheless, the company would like to use the opportunity to emphasize its commitment with the respect of Human Rights and the different management and governance systems that have been put in place by the company in order to prevent and manage potential and actual impacts on Human Rights, such as the ones reflected in the report.

Iberdrola's Human Right Commitment

Since Iberdrola, S.A. approved its Policy on Respect for Human Rights in 2015, the group has progressively deployed formal commitments and specific measures for the identification, prevention, mitigation and, where appropriate, remedy, of impacts on human rights in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs).

Iberdrola has put into practice this commitment by implementing a due diligence system that allows the company to identify its potential and actual impacts and act in accordance with internationally recognized human rights principles and standards.

This due-diligent system is also supported by a governance system and the company's control model based on the three lines of defense. This grants clear responsibilities for prevention, follow-up and evaluation, driving a continuous improvement model that ensures the proper implementation and monitoring of the Human rights due diligence system.

Identification of Human Rights impacts and effective participation mechanisms

In order to identify the actual and potential impacts on human rights associated to the operations, Iberdrola undertakes detailed analyses that are carried out by independent experts, as well as substantial consultations with potentially affected Stakeholders, paying special attention to any vulnerable groups that may be exposed to greater risks, as established by the UNGPs.

Also, the Environmental Impact Assessments (EIA), carried out in the planning phase prior to the construction of the facilities, include an assessment of social impacts in accordance with the applicable legislation in each country. In those countries with indigenous communities, a specific social impact study is also carried out for this group. Both assessments include analysis of potential human rights impacts from an environmental and social perspective.

Applicable law ensures consultation with and the participation of both the interested parties and the government administrations during the performance of these impact studies, and part of the project documentation is subject to public review for a period of time that varies according to applicable law in each country. In addition, the Iberdrola group has implemented the Stakeholders Relations Model as well as the Recommendations Guide for Conducting Public Consultations.

Beside, in 2021 Iberdrola has developed a digital tool for management of consultations with the communities. The tool aims at improving management and documentation of the consultations, and the monitoring of actions foreseen in the action, mitigation or remedy plans relating to any impact on the facilities' surroundings.

All these mechanisms guarantee that the viewpoints of the Stakeholders consulted will thus be taken into account in defining the future project.

Respect to Indigenous Rights

Iberdrola, in accordance with its Code of ethics and Policy on Respect for Human Rights, is committed to respecting the rights of indigenous peoples and ethnic minorities, in accordance with current legislation and the obligations established by the ILO Convention No. 169 and other international instruments. Likewise, in each country, local laws, principles, and regulations are respected in relation to indigenous peoples, establishing mechanisms that guarantee their rights.

Some examples of it are the inclusion of specific analysis to these communities in social impact studies. Also, in what respects to engagement, appropriate channels of dialogue are established with them with the participation of the State and different organizations that represent them, to report with due transparency and integrity on the project and its effects, and to carry out the necessary consultations.

The commitment of Iberdrola with the respect of Indigenous communities has been also recognized by leading standards, such as the Renewable Energy and Human Rights Benchmark which in its latest edition recognizes Iberdrola as the only company with a specific public commitment to respect indigenous peoples' rights in line with international standards, notably the ILO Convention 169 on Indigenous and Tribal Peoples.

Displacement of populations and Land rights

During the planning phase for new projects, Iberdrola evaluates the land that will potentially be occupied, choosing the land that involves the least displacement of people who either reside in the immediate area or whose economic activities will be affected. In the event of displacement, Iberdrola and the relevant government authorities review the economic, environmental and social consequences of the projects, and jointly hold consultations with the local communities to adopt suitable corrective measures.

As previously mentioned, in the case of indigenous communities, specific channels of dialogue are established with the participation of the State and different organizations that represent them, to

report with due transparency and integrity on the project and its effects, and to carry out the necessary consultations.

Protection to clients who are economically disadvantaged or in a situation of vulnerability

Iberdrola's General Sustainable Development Policy assumes the creation of sustainable value as a fundamental principle, highlighting the promotion of universal access to energy supply as a line of action. In addition, it pays attention to clients who are economically disadvantaged or in a situation of vulnerability, envisaging specific protection procedures to provide continued access to an energy supply. This is essential for protecting certain fundamental rights, such as an adequate standard of living or the right to food.

Specifically in Latin America (Brazil), Iberdrola, through the companies of the Neenergia group develops rural electrification programmes, undertaken jointly with government authorities, as an instrument for the social inclusion and development of rural homes not served by electric utilities.

Also, globally, Iberdrola has launched the Electricity for All Programme in response to the call of the international community to ensure universal access to affordable, reliable and modern energy services. Iberdrola has set the ambitious goal of providing electricity to 16 million persons who currently lack it by 2030.

Protection of the environment as a fundamental right

Iberdrola recognizes the right to the environment in its Policy on Respect for Human Rights and its Environmental Policy as "the legitimate right of present and future generations to enjoy a suitable environment".

Iberdrola's recognition of this right is in line with the UN Human Rights Council resolution 48/13 of 2021, which recognized for the first time the right to a safe, clean, healthy and sustainable environment, that Iberdrola had previously recognized in its internal policies.

In such a way, to assess the potential impacts on this right, an assessment of the natural environment is carried out during the Environmental Impact Assessments (EAI) carried out in the planning phase prior to the construction of the facilities. This assessment includes environmental impacts such as emissions, discharges, waste, fires, effects on biodiversity, changes in land use, changes in the aesthetics and quality of the landscape, restriction of access to water resources and forestry.

All these impacts are managed through specific measures contemplated in the EIAs. These measures are accompanied, where appropriate, with compensation channels. Jointly, both mechanisms provide an effective way of remedying adverse impacts on human rights resulting from or directly linked to environmental impacts.

Tracking of mitigation measures

When, through the application of the Human rights due diligence system, an adverse impact is detected, appropriate plans and actions are prepared and implemented to mitigate the impact.

The implementation of these measures is tracked and reported to public authorities through periodic follow-up reports. These periodic reports describe the level of development and implementation of these measures through the provision of documentary evidence.

On the other hand, the communication with communities in which mitigation measures are carried out is ensured through the usual complaint channels at the operational level. This is a continuous dialogue system that allows communities to express any related concerns or questions.

In some cases, Iberdrola even carries out joint monitoring of the measures to be implemented.

Monitoring of the effectiveness of the due-diligence measures

Iberdrola develops a monitoring of the effectiveness of its due-diligence measures examining how a potential impact has been addressed and whether the response has served to prevent and mitigate it and to what extent this has been possible. The impacts on human rights are dynamic, and for this reason, Iberdrola keeps its assessment, along with the prevention and mitigation measures it adopts, under constant review. This is to monitor their effectiveness. To that effect, regular evaluations are carried out through internal monitoring of all the relevant information in relation to human rights, through independent experts and with the support of quantitative and qualitative indicators that define possible room for improvement.

Yours faithfully