

Business and Human Rights Business Center

Subject: Iberdrola's response to story: Intermón Oxfam report gives keys for Spanish companies in Latin America and other regions of the world to respect the rules on business and human rights

Madrid, 7st February 2023

Dear sir/madam,

We thank you for your interest in Iberdrola's response on the Intermón Oxfam report referenced in this story.

The report dated back in 2013 and just contents a guideline for investing companies in Latin America. The link between Iberdrola and the report is that the company had expansion plans in the region, in other words, the report neither highlighted a materialized impact that deserved a response or mitigation - reparation action plan.

Therefore, we would like to thank the opportunity to explain Iberdrola's current approach to Human Rights due diligence that outperforms Intermón Oxfam recommendations in the report.

Iberdrola's commitment with human rights and due diligence duty

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).

In view of the international references in the field of human rights, the company has put into practice its commitment to human rights 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.

Iberdrola's Main milestones in human rights:

2015 The Board of Directors approves the Policy on Respect for Human Rights.

2018 Development of a human rights due diligence system aligned with the UNGPs and based on the identification of impacts and gaps in due diligence based on:

- building of the methodological and analytical framework to carry out human rights due diligence in accordance with existing management mechanisms; and
- gathering the necessary information to identify impacts on human rights and gaps in due diligence.

2019 Consolidation of the due diligence system through:

- the identification of potential impacts specific to the electricity sector and the definition of expectations related to human rights; and
- the analysis of improvement aspects (gap analysis) and prioritization of actions to prevent and mitigate potential impacts.

2020 Adaptation of management systems:

- review of grievance and claim mechanisms;
- new procedure for the formalization of the classification, monitoring and control of complaints and claims;
- preparation of the Guide of recommendations for carrying out public consultations with local communities;
- raising awareness regarding human rights among workers; and
- human rights protection measures during COVID-19;

2021

- preparation of the Human rights risk map by an independent third party;
- development of a digital tool for the management of public consultations with local communities; and
- reinforcement of the external communication on matters related to human rights, by way of a new section on the corporate website.

Tax transparency and responsibility

The group is a leader in corporate tax responsibility, an inseparable element from its responsibility to respect human rights. Since 2019, the company publishes a Report on Tax Transparency. Progress has also been made in the company's transparency practices, through the disclosure of all tax information relevant for Stakeholders. For Iberdrola, responsible taxation is key to guaranteeing the best possible provision of essential goods and services, as well as respect for human rights in the countries in which it operates.

Regarding presence in tax havens, as indicated by the aforementioned report:

- The Iberdrola group does not include any company residing in tax havens according to Spanish law, or in territories included on the EU's black list of non-cooperative tax jurisdictions, among the companies in which it has a controlling interest.
- In applying best practices in this area, the Iberdrola group has prohibited the organisation or acquisition of companies residing in tax havens or jurisdictions included on the EU black list as non-cooperative.
- On an exceptional basis, there is a special procedure for the creation or acquisition of companies resident in jurisdictions on the EU grey list, which must be previously approved by the Board of Directors.

- Companies of the Iberdrola group are always organised based on objective business criteria and not on tax engineering structures.

Finally, as a sign of the company's commitment to a taxation regime that is consistent with its human rights obligations and allows governments to have the necessary collection capacity to finance public services and guarantee human rights, Iberdrola hosted a conference on taxation in November 2021. The conference was attended by tax professionals at institutions as relevant as the OECD, the European Union and a number of public administrations.

Transparency with communities and landowners

Iberdrola carries out substantive consultations with stakeholders potentially affected by its operations. The dialogue established with them is one of the main sources of information for identifying impacts and is carried out in the context of regular operations and through specific one-off consultations. The implemented Global Stakeholder Engagement Model is an internal tool that promotes continuous dialogue and facilitates the analysis of its outcomes and subsequent decisionmaking.

Regarding communities, the company maintains relationships with communities during all phases of a project (as well as with local authorities and other relevant groups). Furthermore, the Company establishes dialogue channels through which the communities can send any doubts, complaints, requests of information, requests regarding impacts, or other concerns or suggestions. Although the specific queries may vary depending on the country and the type of installation, the rights of indigenous peoples receive particular attention.

In order to improve the management and mitigation of possible impacts, together with the follow up of the recommendations guide for consultations in all phases of the lifecycle of the projects, in 2021 Iberdrola 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.

Currently, a pilot has been launched in Mexico to test its effectiveness and suitability with the purpose of applying the tool throughout the Group.

All this sense, in the Business and Human Rights Center Renewable Energy and Human Rights Benchmark (2021) Iberdrola is the only company receiving the highest score for involving Stakeholders in the development of its human rights approach.

Yours faithfully