

**Annual report on the  
compliance and  
effectiveness of the  
*Code for the separation  
of activities of Iberdrola  
España Group  
Companies with  
regulated activities in  
Spain for 2023***

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## APPENDICES

# 1. Introduction

Iberdrola, S.A. (“Iberdrola”), as a holding company, leads a group of companies that focuses its activities on the production, transmission, distribution and supply of electricity and is present in Spain, Portugal, United Kingdom, United States of America, Mexico and Brazil (the “Iberdrola Group” or the “**Group**”).

Iberdrola Group's corporate structure is as follows:

- a) Iberdrola, which is set up as a listed *holding* company, the main function of which is to act as the holder of the equity interests of the *subholding* companies;;
- b) the *subholding* companies, which in turn group together the shareholdings in the head of business companies; and
- c) The head of business companies.

Based on this corporate organisation, the governance structure of the Group is governed by the principles set out below:

- a) conferring on Iberdrola the powers relating to the approval of strategic goals with projection at Group level, the definition of its organisational model, and the supervision of its compliance and its development with full respect for the special framework of enhanced autonomy of listed subholding companies;
- b) the function of organisational supervision and strategic coordination is reinforced through the *subholding* companies that carry it out in connection with the territories, countries, or businesses that the Board of Directors of Iberdrola may decide upon; and
- d) assume the executive responsibilities in a decentralised manner, enjoy the necessary autonomy to carry out the ordinary management and effective management of each of the businesses and are given the responsibility for their ordinary control.

There are six subholding companies, which hold the capital of the head of business companies in the energy businesses in the countries where the Iberdrola Group is present: Iberdrola España, S.A. (Sociedad Unipersonal) (“**Iberdrola España**” or the “**Company**”), Scottish Power Ltd., Avangrid, Inc. (“**Avangrid**”), Neoenergia, S.A. (“**Neoenergia**”), Iberdrola México S.A. de C.V. and Iberdrola Energía Internacional, S.A. (Sociedad Unipersonal).

The Iberdrola Group has minority shareholders not only in the holding company, but also in some subholding companies, such as Neoenergia in Brazil or Avangrid in the US, which are listed on the secondary stock market.

Iberdrola has a special reinforced framework of autonomy for listed subholdings, ensuring that the legitimate interests of its shareholders enjoy sufficient protection and coexist adequately with the general interests of the Iberdrola Group and those of the shareholders of the holding company..

One of the main functions of the *subholding* companies is to centralise the provision of services common to their head of business companies, in accordance with the provisions of the applicable law and, in particular, the regulations on the separation of regulated activities. All of them have their own human and material resources to autonomously perform the duties attributed to them by the Governance and sustainability system.

These regulations allow certain activities, such as production and retail (liberalised activities), to be carried out under a system of free competition, unlike others which, by their very nature, must be provided under a system of natural monopoly in accordance with the sector regulations, which include electricity distribution (regulated activities).

In relation to the above, the regulations applicable in the countries in which the Iberdrola Group is present require the legal and functional separation of the companies that perform regulated activities with respect to those that conduct a liberalised business, in order to ensure transparent, non-discriminatory and efficient management of the electrical system.

The Iberdrola Group complies with said regulations, giving subholding companies responsibility for enforcing compliance with the regulations for incompatible activities applicable in their respective countries.

In Spain, the Iberdrola España subholding company, fully owned by Iberdrola, groups the interests of the different businesses that carry out energy-related activities in Spain (**"Iberdrola España's subsidiary companies"**) in the parent companies and is endowed with the administration and management structure of the sub-holding companies of the Iberdrola Group, with their own Board of Directors and independent directors, an executive director, its own Audit and Compliance Committee, Internal Audit Area and Compliance Unit.

According to the sector regime in force in the European Union<sup>1</sup>, one same company cannot carry out regulated and liberalised activities, but different companies of the same group can, provided that certain criteria of independence in the management of regulated activities are observed, as happens in the group formed by Iberdrola España and its subsidiary companies.

Specifically, the requirements for incompatible activities in Spain are defined with regard to the electricity sector in article 12 of Electricity Industry Act 24/2013, dated 26 December, and in regard to the Hydrocarbon Sector, in article 63 of Hydrocarbon Industry Act 34/1998 of 7 October.

Companies that carry out regulated activities in Spain that have more than 100,000 customers must have a code of conduct that establishes the measures adopted for ensuring compliance with the cited independence standards and the specific obligations of employees in this area, and must also draw up an annual report for the same purpose.

This report, which will be submitted to the Ministry for Ecological Transition and Demographic Challenge and to the National Commission on Markets and Competition (CNMC), is used by Iberdrola España to report on compliance with the aforementioned obligations in the area of incompatible activities by the Group of which Iberdrola España and its subsidiaries are part with regulated activities in Spain in 2023.

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<sup>1</sup> Directive 2019/944/EC of the European Parliament and of the Council concerning common rules for the internal market in electricity, and Directive 2009/73/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas.

## 2. Definitions

- **Liberalised Activities:** the production and sale of electricity and gas, as well as the provision of energy charging services in Spain..
- **Regulated activities:** the distribution and transmission of electricity, as well as the regasification, basic storage, transportation and distribution of gas in Spain.
- **Code for the Separation of Activities:** *Code for the separation of activities of Iberdrola España Group companies with regulated activities whose current version was approved by the Board of Directors of Iberdrola España on 19 October 2023.*
- **Compliance Unit:** a collegiate body of an internal, permanent nature, set up in accordance with the highest standards of independence and transparency and linked to the Company's Audit and Compliance Committee. The Compliance Unit is the body in charge of supervising and assessing compliance with the measures envisaged in the Code, in the exercise of its functions as the body responsible for proactively and autonomously ensuring the implementation and effectiveness of the Company's compliance system and effective compliance with the applicable regulations on the separation of regulated activities.
- **Individuals Responsible for the Management of Liberalised Companies:** those committees or working groups of the Liberalised Companies that are entrusted with the day-to-day management and development of the following activities related to liberalised activities in Spain:
  - Operation and maintenance of generation and marketing facilities and other assets necessary for undertaking their activities.
  - Planning, construction, expansion, improvement and development of the assets necessary for undertaking their activities.
  - Negotiation, sale, invoicing and collection for electricity, both wholesale and supply to end users.
  - Contracting access to third-party installations as necessary for undertaking their activities.
- **Commercially sensitive information:** any specific information that is non-public, knowledge of which by the employees, managers or directors of the Liberalised Companies could provide a competitive advantage to those Companies.
- **Electricity Sector Act:** Law 24/2013 of 26 December on the Electricity Sector.
- **Hydrocarbons Sector Act** Law 34/1998 of 7 October, on the Hydrocarbons Sector.

- **Individuals Responsible for the Management of Regulated Companies<sup>2</sup>:** the members of the Board of Directors with executive powers and those responsible for the Regional Operational Departments that perform the following duties in Regulated Companies:
  - Operation and maintenance, planning, construction, expansion, improvement and development of the transportation, distribution and other assets necessary for undertaking their activities.
  - Reading and measurement of electric energy.
  - Installation, verification and supervision of facilities.
  - Application of appropriate consumer protection measures.
- **Regulated Companies:** companies in the group formed by Iberdrola España and its subsidiary companies carrying out Regulated Activities.
- **Liberalised Companies:** companies in the group formed by Iberdrola España and its subsidiary companies carrying out Liberalised Activities.

## 3. The separation of activities in the Iberdrola Governance and sustainability system and the regulations of Iberdrola España

### 3.1. General principles

The By-laws, adopted by the Iberdrola General Shareholders' Meeting, the supreme governance body by means of which the rightful owners of Iberdrola express their wishes, constitute the core of its internal organisation and the basis on which Iberdrola has built its governance and sustainability system. The latter is a system of regulations ensuring the effective embodiment of the principles of the Purpose and Values of the Iberdrola Group in the form of a true regulatory system. It is constantly reviewed and updated in order to immediately adapt it to accommodate legislative changes and the most demanding international standards.

The Iberdrola Governance and sustainability system is made up of the By-laws, the Purpose and Values of the Iberdrola Group, the Code of ethics, the General sustainable development policy, the Stakeholder Engagement Policy and Corporate policies, the rules of governance of the corporate bodies and internal committees, and the internal codes, regulations and procedures that configure and develop the regulatory compliance system of the Iberdrola

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<sup>2</sup> **Appendix 1** included the identity of the Persons Responsible for the Management of the Regulated Companies subject to the *Code for the Separation of Activities*.

Group and that are approved by the competent bodies of Iberdrola. The *Corporate Governance and Sustainability System* includes the following commitments and guarantees regarding incompatible activities:

- Iberdrola and the Iberdrola Group assume the legally established commitments in relation to the legal and functional separation of the Regulated Companies (section 3.b of the *General Corporate Governance Policy*).).
- The following duties are conferred to the Board of Directors of Iberdrola, within its competencies related to the general duties of supervision, organisation and strategic coordination of the Iberdrola Group:
  - To ensure that subholdings assure compliance with the regulations for the separation of regulated activities in their respective jurisdictions (Article 13.8.B) i) of the Regulations of the Board of Directors).).
  - To adapt the structure of the Group to the legal requirements applicable in the jurisdictions in which they carry out their activities, and specifically as regards the system of separation of regulated activities that is applicable in each jurisdiction (article 7.e) of the Policy for the definition and coordination of the Iberdrola Group and foundations of corporate organisation).).
- Article D.18. of Iberdrola's Code of ethics, applicable to all professionals within the Iberdrola Group, regardless of their seniority, establishes the obligation to respect the industry regulations regarding incompatible activities and it expressly establishes, among others, the following specific obligations in the area of incompatible activities:
  - To ensure the independence in the day-to-day management of Regulated Companies and of those responsible for the management thereof, avoiding the participation of Liberalised Companies in the day-to-day management thereof, without prejudice to the Group's powers of economic oversight and management over such companies.

To such end, the Iberdrola Group shall ensure that Regulated Companies have the human, material and financial resources that are adequate and necessary to carry out their day-to-day activities.

- To ensure the independence and protection of the professional interests of the persons responsible for the management of Regulated Companies, as well as those of the workers who, by virtue of the applicable legislation, deserve special protection due to their duties.
- Take appropriate measures to ensure the protection of Commercially Sensitive Information of Regulated Companies that might give a competitive advantage if known by Liberalised Companies.

In this regard, Regulated Companies may not share commercially sensitive information with Liberalised Companies, except where permitted by applicable laws and regulations or disclosed to third parties, in which case such information shall be shared under non- discriminatory conditions.



- Ensure that all activities of Regulated Companies are carried out following objective and non-discriminatory standards, avoiding any preferential treatment of Liberalised Companies or their customers.
- To keep the books of Regulated Companies and of Liberalised Companies separately, as provided by applicable laws and regulations in each country.

In addition, the Group companies shall ensure that economic transactions relating to, among other things, the transfer of resources, assets, rights and/or contracts, if any, made between Regulated Companies and the other companies of the Iberdrola Group, as well as the provision and receipt of services common to both types of company, observe the specific regulations established in each jurisdiction regarding the conditions to which such transactions must be subject.

- The Group companies shall, in accordance with the laws and regulations in force in each country where it carries on Regulated Activities, adopt the codes or similar internal rule-making instruments that ensure compliance with the rules for the separation of activities by the Group professionals affected by such regulations.
- The companies within the Iberdrola Group guarantee that the aforementioned codes or regulatory instruments will be disseminated among the professionals and members of the management team of the Iberdrola Group companies in the respective jurisdictions in which they apply. In addition, any codes and regulations that are adopted shall be disseminated externally, in particular, through the websites of the companies of the Iberdrola Group.

With regard to the internal regulations of Iberdrola España, in addition to the specifications of the *Code for the Separation of Activities* outlined in this report:

- The *Bylaws* of Iberdrola España confer the following functions to the Company's Board of Directors with respect to the separation of activities:
  - Disseminate, implement and ensure, in the parent companies of the businesses held by the Company, the monitoring of the general policies, strategies and guidelines established by Iberdrola as a *holding* company in the interest of all group companies, taking into account in this regard the characteristics and peculiarities of the scope of action and of the businesses carried out by the parent companies of the businesses and respecting the their autonomy to carry out the day-to-day running and effective management of their businesses, as well as their responsibility for their ordinary control (article 18.2 a of Iberdrola España's *By-Laws* ).
  - Enforce compliance with the regulations on the separation of regulated activities in Spain and, therefore, exercise the general function of economic and management supervision of the companies that carry out such regulated activities, respecting their legal and functional separation, in order to guarantee the independence of the ordinary management and direction of such companies and of those responsible for their management, and the Company may not under any circumstances give instructions to regulated companies regarding their ordinary activities (article 18.2 h. of the *By-Laws* of Iberdrola España).

- Approve the annual financial plan of the regulated companies in which it participates and to establish the limits of their level of indebtedness, without prejudice to said companies submitting the proposals they deem more convenient to guarantee that they have sufficient resources to carry out their activities (section 18.2 i. of the Iberdrola España's *By-Laws* ).
- Approve the *Code for the separation of activities of Iberdrola España Group companies with regulated activities* and its modifications, at the proposal of the Compliance Director and following a report from the Company's Audit and Compliance Committee (section 18.3 q. of Iberdrola España's *By-Laws* ).
- The Iberdrola España Audit and Compliance Committee in accordance with Article 3.2.j) of the Regulations of the Audit and Compliance Committee of Iberdrola España shall:
  - Issue a preliminary opinion on the reports compiled in the area of separation of regulated activities and, particularly, on this annual report prepared by the Compliance Unit as set out in article 20 of the *Code for the Separation of Activities*, for submission to the Board of Directors for their information.
  - Report in advance on the amendments to the *Code for the Separation of Activities* (section 28.4 s. of the *By-Laws*).
  - Report in advance on agreements concerning the appointment and removal of directors of the Iberdrola Group's Regulated Companies in Spain, ensuring the suitability of the proposed candidates for the effective independence of the management of said regulated companies.

It is the responsibility of the Compliance Unit to ensure effective compliance with the regulations applicable to incompatible activities (Article 7.1 g) of the Regulations of the Iberdrola España Compliance Unit). Furthermore, the Compliance Unit must perform the duties conferred upon them by the Code for the Separation of Activities of the companies in the Iberdrola España Group with regulated activities and, particularly, supervise and assess compliance with the obligations established therein and compile the annual report referred to in Article 20 (article 7.2 of the Regulations of the Iberdrola España Compliance Unit).).

### 3.2. *Code for the Separation of Activities*

Pursuant to the provisions of article 12.2 of the Electricity Sector Act and article 63.4 of the Hydrocarbons Sector Act, the Board of Directors of Iberdrola España, in a meeting held on 19 October 2023, approved the current *Code for the Separation of Activities*.<sup>3</sup>.

According to the provisions of article 3 of the *Code for the Separation of Activities*, it is applicable:

- to all directors, managers and employees of the Regulated Companies of the Group consisting of Iberdrola España and its subsidiary companies that carry out activities in Spain, regardless of their hierarchical level (except those from electricity distribution

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<sup>3</sup> The Code for the Separation of Activities is published on the respective web pages of i-DE and Iberdrola España.

companies of the Group with less than 100,000 customers connected to their grids, as established by article 12.4 of the Electricity Industry Act); and also

- the directors, executives and employees of Liberalised Companies in Spain to the extent that they are affected by applicable regulations regarding the separation of activities..

Specifically during 2023, the only Regulated Company subject to the *Code for the Separation of Activities* is I-DE Redes Eléctricas Inteligentes, S.A. (Sole Shareholder Company), ("**i-DE**"), as it is the only company in the group formed by Iberdrola España and its subsidiary companies that carries out Regulated Activities with more than 100,000 customers connected to its networks.

i-DE is the head of business company of the Networks business in Spain, although it is Iberdrola Redes España, S.A.U., (Sole Shareholder Company) ("Iberdrola Redes España"), a subsidiary of Iberdrola España, that groups the participation of all the companies whose purpose is the distribution of energy in this country.

i-DE adopted the current *Code for the Separation of Activities* approved by the Board of Directors of Iberdrola España on 19 October 2023, at its Board of Directors meeting of 5 December 2023, in accordance with the provisions of its article 15.2.

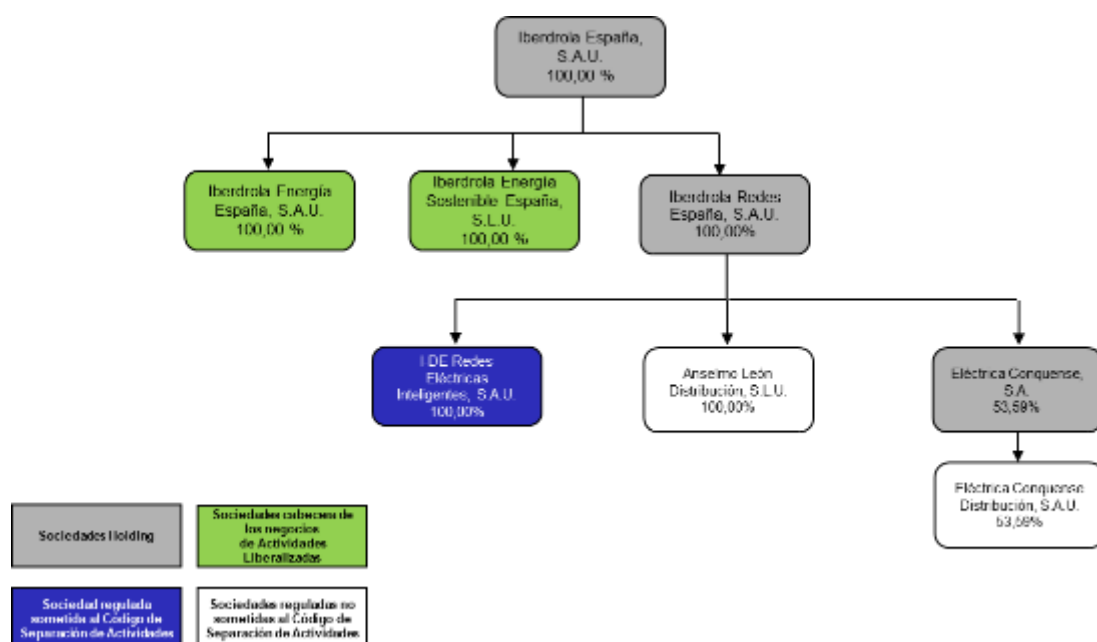
As regards the Liberalised Companies, Iberdrola Energía España, S.A., (Sole Shareholder Company) ("**Iberdrola Energía España**") is the parent company of the retail business in Spain<sup>4</sup>, which manages the wholesale retail of gas and the energy management activity, and is in turn the holding company of the companies Iberdrola Cogeneración, S.L. (Single-Shareholder Company), whose activity is limited to electricity cogeneration, Iberdrola Clientes, S.A., (Single-Shareholder Company), which groups together the retail energy marketing activity in Spain, and Iberdrola Clientes Internacional, S.A. (Single-Shareholder Company), which groups together the shareholdings of foreign companies engaged in the marketing and sale and purchase of electricity in the jurisdictions in which it has a presence.

The production of electricity from sustainable energy sources and its sale is carried out through Iberdrola Energía Sostenible España, S.L.U. ("**Iberdrola Energía Sostenible**").

The chart below shows the Iberdrola España Group's head of business companies of the group consisting of Iberdrola España and its subsidiary companies that carry out Liberalised Activities and the companies that carry out Regulated Activities in Spain, specifying the Regulated Company that is subject to the *Code for the Separation of Activities*..

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<sup>4</sup> It also holds shareholdings in other Iberdrola Group companies in other foreign countries.



## 4. Management model

### 4.1. Areas of decision-making and responsibility

The Governance and sustainability system provides for a business model that combines a decentralised decision-making structure based on the principle of subsidiarity, with robust coordination mechanisms that ensure the overall integration of all the Iberdrola Group's businesses, all underpinned by an effective system of counterweights that prevents management power from being concentrated in any one governing body or person.

The Iberdrola Group's corporate structure and governance model provide for a separation between the central duties of defining Iberdrola's strategy and overseeing it and the executive responsibilities decentralised in the Iberdrola Group companies.

In accordance with the provisions of the Policy for the definition and coordination of the Iberdrola Group and bases of the corporate organisation the governance model of the Iberdrola Group is defined on the bases indicated below that duly differentiate, on the one hand, the functions of ordinary management and effective management and, on the other, those of effective supervision and control<sup>5</sup>:

- a. The Board of Directors of Iberdrola, as parent company of the Group, has been conferred powers regarding approval of the strategic goals at Group level, the definition of its organisational model, oversight of compliance with this model and of its development, and those relating to decisions on matters of strategic importance at Group level, while fully respecting the special framework of strengthened autonomy of the listed subholdings mentioned in d) below.
- b. The Chairman of Iberdrola's Board of Directors and Iberdrola's CEO, with the technical support of the Operating Committee, as well as its management team, are responsible for the function of supervision, organisation, and strategic coordination with projection at Group level through the dissemination, implementation, and monitoring of the general strategy and the basic guidelines for the management thereof established by the the Company's Board of Directors.
- c. The function of supervision, organisation, and strategic coordination is reinforced through the *subholding* companies, which carry out such function in connection with the territories, countries, or businesses as Iberdrola's Board of Directors may decide, disseminating, implementing, and ensuring the monitoring of the policies, strategies, and general guidelines with projection at Group level, taking into account the characteristics and unique features of their respective territories, countries, or businesses.

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<sup>5</sup> The Policy for the Definition and Coordination of the Iberdrola Group and Foundations of Corporate Organisation is published on the corporate website [www.iberdrola.com](http://www.iberdrola.com) and can be downloaded from the following link: [https://www.iberdrola.com/documents/20125/41914/policy\\_definition\\_coordination.pdf](https://www.iberdrola.com/documents/20125/41914/policy_definition_coordination.pdf)

One of the main functions of the subholding companies is to centralise the provision of common services to their head of business companies, in accordance with the provisions of applicable law and, in particular, the regulations on the separation of regulated activities.

In this regard, the subholding companies provide the coordination of the companies in which they participate and are attributed with the responsibility of enforcing compliance with regulations on the separation of regulated activities.

In order to specify the application of the *Governance and Sustainability System* based on the law applicable in each territory, country, or business, as well as their characteristics and singularities, and in order to comply with the responsibilities conferred by the Governance and Sustainability System, the subholding companies approve regulations applicable to their head of business companies of the subsidiaries, and specify the application in each territory, country, or business, as applicable, of the content of the policies, general strategies, and basic guidelines for their management approved by Iberdrola's Board of Directors with projection over the Group as a whole.

In order to better perform their functions, the *subholding* companies have at least one external director on their boards of directors who, in view of their personal and professional qualifications, performs their duties without being conditioned by relationships with the Group companies or with the directors, significant shareholders, or members of the management thereof, as well as with audit and compliance committees, in addition to their own internal audit and compliance units or divisions.

The chief executive officers of each subholding company, appointed by their respective boards of directors, shall be responsible for promoting the specific application of the policies, general strategies, and basic guidelines for their management in each territory, country, or business, as applicable, proposing the targets and the annual resources budget and being able to represent their respective companies before the national institutions in coordination, if applicable, with the chief executive officers of the head of business companies as indicated in section e) below, as well as to perform such other functions as may be determined by each board of directors, always acting under the supervision of the latter.

- d. Listed subholding companies have a special framework of enhanced autonomy, which applies to regulatory, related-party transactions and management.
- e. The head of business companies assume the executive responsibilities in a decentralised manner, enjoy the necessary autonomy to carry out the ordinary management and effective management of each of the businesses and are given the responsibility for their ordinary control.

These head of business companies are organised through their respective boards of directors, with the presence, if any, of external directors who, in view of their personal and professional conditions, perform their functions without being conditioned by relations with the companies of the Group or with the directors, significant shareholders or members of the management thereof, and of their own management bodies, and may also have their own audit committees, internal audit areas and compliance units or divisions.

If applicable, the chief executive officers of each head of business company shall be responsible for their effective management under the supervision of its board of directors, to which they shall propose the business targets and annual resource budgets within the framework of the general business strategy established at Group level, and may represent their respective companies before national institutions in the event that such companies are domiciled in a country or territory other than that of the country or territory of the subholding company to which they report, in coordination with the chief executive officer of the latter.

The provisions of the preceding paragraphs shall be without prejudice to respecting the corporate autonomy of the subsidiaries of the head of business companies domiciled in countries or territories other than that of the head of business company. Such subsidiaries may be entrusted with the effective management of their activities in their own country or territory.

In order to facilitate the orderly exercise of the duties inherent to its status as an Iberdrola Group holding entity, the Iberdrola Board of Directors establishes a series of mechanisms that allow the exchange of the necessary information for the strategic coordination of the activities carried out by the different subholdings and business parent companies, without prejudice to their decision-making autonomy and the requirements imposed on their administrators by law, as well as those derived from the *Governance and sustainability system*, in the interest of all the companies in the Iberdrola Group.

## 4.2. Bodies responsible for the administration and management of Regulated and Liberalised companies

Both i-DE and Iberdrola Clientes España and Iberdrola Energía Sostenible are endowed with the administration and management structures of the head of business companies of the Iberdrola Group's businesses.

As such, on 22 December 2009, the Board of Directors of i-DE was established, with independent directors, and a chief executive officer was appointed, upon whom all members of the management team and employees of this Regulated Company ultimately depend. i-DE has had its own Audit and Compliance Committee and Internal Audit Department since 22 December 2009. It also has its own independent Compliance Unit linked to the Audit and Compliance Committee of the Board of Directors.

Both Iberdrola Energía España and Iberdrola Energía Sostenible have their own Boards of Directors, with external members and their own appointed chief executive officers. They also have their own independent Compliance Units and Internal Audit Departments, linked to their Boards of Directors.

## 4.3. General supervision duty

Under the *Code for the Separation of Activities*, Iberdrola España, as a subholding company, has the power to supervise the economic affairs and management of Regulated Companies and of the remaining companies that make up the Iberdrola España Group and its subsidiary companies.

In the exercise of said powers, the Board of Directors of Iberdrola España has approved the annual budgets corresponding to 2023, ensuring the effective separation of the regulated activities and the compliance of the legally established independence criteria included in the income, expenditure and investment forecasts of all the businesses and companies in the Iberdrola España Group and its subsidiary companies for 2023, including the annual financial plan and the debt limits of the Regulated Companies.

## 5. Specific measures taken to comply with the *Code for the Separation of Activities*

To ensure the effective functional separation of the Regulated Companies from the Liberalised Companies and to comply with the legally established independence standards, the Group consisting of Iberdrola España and its subsidiary companies has adopted the measures established in the *Code for the Separation of Activities*, which are detailed below.

The Compliance Unit has made an objective and independent analysis of the observance of said measures to verify compliance with the *Code for the Separation of Activities*..

### 5.1. Measures relating to the differentiation of the companies controlled by Iberdrola España

In compliance with the provisions of Title II regarding "Legal separation of activities" of the *Code for the Separation of Activities*, the companies of the group formed by Iberdrola España and the companies in which it has an interest maintain an effective legal separation of Regulated and Liberalised Activities. Regulated Activities and Liberalised Activities are carried out by different companies.<sup>6</sup>

The Regulated Companies, in accordance with article 6 of the *Code for the Separation of Activities*, maintain sufficiently differentiated names with respect to the Liberalised Companies.

Likewise, i-DE does not hold shares in companies that carry out Liberalised Activities, but only participates in economic interest groups that carry out activities in support of those of i-DE.<sup>7</sup>

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<sup>6</sup> A mention to the corporate purpose of the Regulated Company i-DE taken from its *By-Laws* is attached as **Appendix 2**.

<sup>7</sup> Attached as Appendix 3 is a descriptive table of the participation of Regulated Companies in economic interest groups that carry out activities in support of those of said Regulated Company.



## 5.2. Measures relating to the provision of common services

In accordance with the provisions of article 7 of the *Code for the Separation of Activities*, Regulated Companies and Liberalised Companies may benefit from common services provided both internally and externally. In the case of exterior common services, due measures must be taken so that the following are avoided at all times: (i) confusion between Regulated and Liberalised companies; and (ii) the promotion of Liberalised Companies by Regulated Companies. In all cases, in the provision of common services, the costs are distributed, and the services are provided in accordance with objective, transparent and market criteria, thereby avoiding any discrimination, subsidy, or competitive advantage.

During 2023, common support and assistance services were provided to the companies belonging to the Iberdrola España Group and its subsidiary companies under a framework service provision agreement to which various companies in the Group subscribed in 2016, including i-DE, and in which the specific services that would be the object of provision were decided for each company.

The agreements signed for those purposes expressly ensure the effective decision-making capacity of the Regulated Companies regarding the services whose management is entrusted to Iberdrola España and it is also expressly provided that the rules of the *Code for the Separation of Activities* are considered part of the contractual content without the possibility that the rights and duties arising from the framework services contract become effective in terms that contradict or prejudice said rules.

Likewise, on 3 February 2015 i-DE signed a framework collaboration agreement between the Company, Iberdrola and the Fundación Iberdrola España (formerly, Fundación Iberdrola) on 22 December 2014 to carry out the activities assigned to the aforementioned foundation.

In this agreement, it is expressly stated that this company will in all cases respect the obligations of i-DE as a Regulated Company in the Iberdrola España Group and its subsidiary companies, as specified in its legal and functional separation, ensuring independence in its daily management and in that of the supervisors, all under the terms and conditions established in both the current legislation on the matter and in the *Code for the Separation of Activities*..

## 5.3. Organisational measures

The governance model of the Group is established in an organisational structure, by virtue of which none of the Individuals Responsible for Management of i-DE participate in organisational structures of the Group or in the administrative bodies thereof which are directly or indirectly responsible for the day-to-day management of Liberalised Activities.

The scope of decision of the governing bodies of the Regulated Companies spreads to all matters that are not expressly attributed to the sole shareholder. For clarification purposes, the powers of Iberdrola España as sole shareholder of Iberdrola Redes España, or those of Iberdrola Redes España as sole shareholder of i-DE, in no case allow interference in the management of the Regulated Companies, which maintain their independence in this area both with respect to these and other Group companies.

In accordance with this competency framework, it is the responsibility of the Regulated Companies to establish their own organisational structure independent from the rest of the Iberdrola España Group companies, including the appointment of the Individuals Responsible for Management, as well as the structure of powers necessary for carrying out the management of their activities.

At 31 December 2023, the workforce of i-DE was 3,256 employees, with 212 new hires during 2023 based on the Iberdrola Group's policies, regulations and procedures for selection in Iberdrola Group companies, which were applied in accordance with the specific profiles of the job positions defined for Regulated Companies.

## 5.4. Measures aimed at protecting the functional independence of the individuals responsible for the management of the Regulated Companies

In order to ensure that the independence of i-DE is fully effective, the legal representation of this company is expressly attributed to both the Board of Directors and, if applicable, its CEO (article 16 of i-DE's *By-laws*).

In accordance with the *Code for the Separation of Activities* in force approved by Iberdrola España, the agreements concerning the appointment and removal of independent directors of i-DE can only be adopted upon a report from the Company's Audit and Compliance Committee, who shall ensure the suitability of the proposed candidates for the effective independence of the ordinary management of i-DE. This provision is also contained in the *Regulations of the Audit and Compliance Committee* and in the *By-laws* of Iberdrola España.

The remaining Individuals Responsible for Management have been appointed by the Board of Directors of i-DE and possess sufficient authority for the performance of their duties in line with the contents of the powers granted in their favour, which are duly registered in the Companies Registry, allowing them to exercise an effective decision-making capacity independent of the Iberdrola España Group and its subsidiary companies.

Additionally, according to the documentation sent to the Compliance Unit by the Individuals Responsible for the Management of i-DE, it is stated that none of them directly or indirectly holds shares in Liberalised Companies.

Article 39.1 of i-DE's *By-Laws* sets that the fix remuneration to be received by any of the members of the Board of the Company based on their circumstances and duties assigned may not, at any point, depend on the profit of other Iberdrola Group companies that carry out liberalised activities.

Additionally, it has been objectively and independently verified that the remuneration of persons responsible for the management is fixed according to the criteria ensuring their independence.

In 2023, none of the Individuals Responsible for the Management of i-DE have participated in the Organisational Structures for the Daily Management of Liberalised Companies.

The termination or dismissal of the Individuals Responsible for the Management of Regulated Companies subject to the *Code for the Separation of Activities* may in no case be based on

causes that originate in the compliance by the affected party with the rules contained in the *Code for the Separation of Activities*. In 2023 two employees of i-DE were dismissed, who were not individuals responsible for the management of this company, nor was this due to compliance with the *Code for the Separation of Activities*..

## 5.5. Measures aimed at the protection of Commercially Sensitive Information

Under the provisions of article 14.2 of the *Code for the Separation of Activities*, i-DE and its employees, directors and administrators are prohibited from sharing Commercially Sensitive Information with Liberalised Companies or their staff.

In addition, article 30.1 of i-DE's *By-Laws* expressly impose upon its members of the Board the obligation to “observe their confidentiality duties provided in the *Code for the Separation of Activities*.”.

With the aim of exactly and always identifying the scope of the Commercially Sensitive Information handled by i-DE, it will select this information and adopt the measures necessary for maintaining its confidentiality. In particular, Commercially Sensitive Information includes, among other, all information related to the identification of the customer, their economic activity, current and historical information on access contracts, the consumption information associated with each of the supply points and, in particular, the hourly values of consumption in those supplies they have, the invoices sent to the customers, the historical information of the customers' debt, their claims, and information about the requests of new customers, provided that this information could be a competitive advantage for Liberalised Companies.

i-DE has appointed a system administrator for each of the systems that contain Commercially Sensitive Information (the “System Administrators”), in particular the Supply Point Information System (SIPS) and the Remote Management System (STG).<sup>8</sup>.

The System Administrators are responsible for the following functions in their capacity in safeguarding Commercially Sensitive Information:

- Draw up the corresponding security document, mandatory for all personnel accessing Commercially Sensitive Information, which includes the following issues: its scope of application; the measures, regulations, procedures and rules aimed at ensuring the level of security required by current regulations; the functions and obligations of personnel; the structure of the files; the procedures for notification, management and response to incidents; and the procedures for making backup copies and recovery of information (the “**Security documents**”).
- Having an updated list of users with authorised access.
- Restricting access to this information by expressly authorised persons.
- Establishing identification procedures for access to Commercially Sensitive Information.

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<sup>8</sup> Appendix 4 gives the identity of the System Administrators at 31 December 2023.

- Defining, assigning and periodically reviewing the access profiles to the Commercially Sensitive Information based on the specific needs of each employee for the correct performance of their duties.

The Security Documents have been made known to all personnel within their respective fields of application.

Therefore, as soon as i-DE accesses the Commercially Sensitive Information, the treatment provided in the *Code for the Separation of Activities* for preventing the Liberalised Companies of the Iberdrola Group from accessing Commercially Sensitive Information is applied in a different way than for competitors.

It has been objectively and independently verified that the controls set in the aforementioned Security Documents were in force and operational in 2023.

In 2023, a total of 59 i-DE employees were transferred to other Iberdrola Group companies and they are subject to the confidentiality obligations provided in article 14.9 of the *Code for the Separation of Activities*.

## 5.6. Measures for the dissemination of the *Code for the Separation of Activities*

The current version of the *Code for the Separation of Activities* approved by the Board of Directors of Iberdrola España on 19 October 2023 is available on the respective employee portals and corporate websites of the Company and I-DE. i-DE employees are informed by email of the new versions of the *Code for the Separation of Activities*.

Additionally, in 2023 specific training activities were undertaken in the area of separation of activities in which 471 i-DE employees and 2,526 employees of other companies from the group consisting of Iberdrola España and its subsidiary companies participated.

All new i-DE employees receive training in the area of separation of activities.

## 5.7. The Compliance Unit

According to section 17 of the *Code for the Separation of Activities*, the Compliance Unit is responsible for the supervision and assessment of compliance with the obligations established therein. The Compliance Director is fully independent and has sufficient powers to properly perform their duties.

The Compliance Unit is governed in their work by the *Regulations of the Compliance Division* approved by the Board of Directors of Iberdrola España, which is posted on its corporate website and on the Iberdrola España employee portal.

There are specific measures that enhance the independence of the Compliance Unit:

- The dismissal or removal of members of the Compliance Unit may not, under any circumstances, be based on grounds originating in the performance of the duties conferred by the *Code for the Separation of Activities* (Article 17.2 of the *Code*).

- Their appointment corresponds directly to the Company's Board of Directors, after a report from the Audit and Compliance Committee (article 2.1 of the Iberdrola España Compliance Unit Regulations).).
- The granting of the powers necessary to properly perform their functions and their independent nature are provided for (article 2 of the Iberdrola España Compliance Unit Regulations and article 17.1 of the *Code for the Separation of Activities*).).
- They will have access to all information, documents and offices of the Group consisting of Iberdrola España and its subsidiary companies as necessary for the proper performance of their duties. In this regard, all professionals and directors of such companies must provide the Compliance Unit with the cooperation required for the proper performance of their duties (articles 17.3 and 17.5 of the *Code of the Separation of Activities*).

The Audit and Compliance Committee ensures that the Compliance Unit has the human and material resources necessary for the performance of its duties, ensuring its independence and effectiveness (article 3.2.g.(i) of the *Regulations of the Audit and Compliance Committee of Iberdrola España* and article 28.4.n of the *Company's By-Laws*).

## 6. Conclusions of the evaluation process

The Compliance Unit has had access to all the information and documentation necessary for the preparation of his report.

As a result of this and of the conclusions included in this report, it is duly accredited that the group consisting of Iberdrola España and its subsidiary companies complied properly with the measures established in the *Code for the Separation of Activities* in 2023.

## 7. Issuance of the annual report on the compliance and effectiveness of the *Code for the Separation of Activities of Iberdrola Group España companies with regulated activities* in 2023

Based on the evaluation referred to in the previous section, the Compliance Unit issues this report, the content and results of which he reports to the i-DE Board of Directors.

The Board of Directors of Iberdrola España took note of the aforementioned report at its meeting held on 16 February 2024, following the previous favourable opinion issued by its Audit and Compliance Committee on 8 February 2024.

## APPENDIX 1

### **Persons Responsible for the Management of the Regulated Companies subject to the *Code for the Separation of Activities***

Name	Post
Ms. Eva Mancera Flores	Chief executive
Mr. Francisco Javier Arriola Alcívar	Director of the Northern Region
Mr. Efigenio Golvano Sacristán	Responsible for the Management of the Northern Region <sup>9</sup>
Mr. María Martínez Yáñez	
Ms. Ana Lafuente González	Director of the Eastern Region
Mr. Óscar Villanueva Moreno	Director of the Western Region

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<sup>9</sup> Mr. Efigenio Golvano Sacristán resigned from his position and was replaced by Ms. María Martínez Yáñez, who was appointed for the position by virtue of the agreement of the Company's Board of Directors dated 14 March 2023.

## APPENDIX 2

### Corporate purpose of the Regulated Company subject to *the Code for the Separation of Activities*

Company	Corporate purpose (article 2 of the <i>By-laws</i> ))	Address
<b>I-DE REDES ELÉCTRICAS INTELIGENTES</b>	<p>The performance of all types of activities, work and services for or relating to the business of transmission, distribution and third-party access to the electricity grid, subject, as the case may be, to the provisions of laws applicable at any given time to the electricity sector.</p> <p>The activities mentioned above shall be performed in Spain, either directly, wholly or in part, by the I-DE Redes Eléctricas Inteligentes, or indirectly via the ownership of shares or stakes in other companies with identical or similar purposes.</p>	<p>Avenida San Adrián 48, Bilbao (Vizcaya), 48003</p>

## APPENDIX 3

**Participation by the Regulated Company subject to the *Code for the Separation of Activities* in economic interest groupings**

Company	Subsidiary companies	Percentage of holding
<b>I-DE REDES ELÉCTRICAS INTELIGENTES</b>	INKOLAN Información y Coordinación de Obras, A.I.E.	14.29 %
	Oficina de Coordinación de Obras de Valencia, A.I.E. (OCOVAL)	16.66%



## APPENDIX 4

**System Administrators of the Regulated Company subject to the *Code for the Separation of Activities* at 31 December 2023**

System	System Administrator
Supply Point Information System	Mr. Ignacio Canales Abaitua
Remote Management System	Mr. Javier Mateo Arenas

## APPENDIX 5

### Iberdrola España's Compliance Unit

Name	Post <sup>10</sup>
Mr. José María Ayala de la Torre	Chairman (external)
Ms. Zaloa Lesta Sobrino	Compliance Director
Mr. Álvaro Murga Tomé	Member
Mr. Francisco Blázquez Sarro	Member
Mr. Manuel Cabezudo Pueyo	Member
Mr. Francisco de Borja García Ruíz	Secretary (non member)

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<sup>10</sup> The members of the Compliance Unit were appointed for such positions by virtue of the agreement of the Company's Board of Directors dated 19 October 2023.