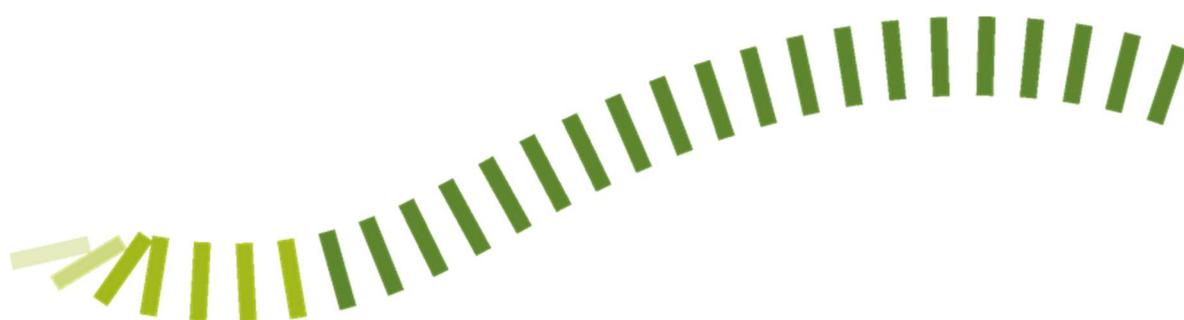


Annual financial information Iberdrola, S.A.



2021

AUDITOR'S REPORT



Auditor's Report on Iberdrola, S.A.

(Together with the annual accounts and
directors' report of Iberdrola, S.A. for the year
ended 31 December 2021)

*(Translation from the original in Spanish. In the event
of discrepancy, the Spanish-language version prevails.)*



KPMG Auditores, S.L.

Torre Iberdrola
Plaza Euskadi, 5
Planta 17
48009 Bilbao

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of *Iberdrola, S.A.*

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of *Iberdrola, S.A.* (the "Company"), which comprise the balance sheet at **31 December 2021**, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at **31 December 2021**, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note **2** to the annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investments in Group companies and associates See note 10 to the annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The recoverable amount of investments in Group companies and associates is determined, for those companies in which there is objective evidence of impairment, by applying valuation techniques which often require the exercising of judgement by the Directors and the use of assumptions and estimates.</p> <p>Due to the uncertainty associated with the establishment of these estimates, it has been considered a relevant aspect of the audit.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">• Evaluating the design and implementation of the key controls related to the process of identifying and calculating the recoverable amount.• Analysing the Company's evaluation of the existence of indications of impairment.• Assessing the reasonableness of the methodology used to calculate value in use and the main assumptions considered, with the involvement of our specialists.• Analysing the consistency of the estimated growth in future cash flows with the business plans approved by the Company's governing bodies.• Performing a comparative analysis of the cash flow forecasts estimated in the prior year with the actual cash flows obtained (retrospective analysis).• Assessing whether the disclosures in the annual accounts comply with the requirements of the applicable financial reporting framework.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Other Information: Directors' Report _____

Other information solely comprises the 2021 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation regulating the audit of accounts, as follows:

- a) Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.
- b) Assess and report on the consistency of the rest of the information included in the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned annual accounts. Also, assess and report on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for **2021**, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Annual Accounts _____

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the preparation and presentation of the annual accounts.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the audit committee of **Iberdrola, S.A.** regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

We also provide the entity's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the entity, we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital file of *Iberdrola, S.A.* for **2021** in European Single Electronic Format (ESEF) comprising an XHTML file with the annual accounts for the aforementioned year, which will form part of the annual financial report.

The Directors of *Iberdrola, S.A.* are responsible for the presentation of the **2021** annual financial report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

Our responsibility consists of examining the digital file prepared by the Company's Directors, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the annual accounts included in the aforementioned digital file fully corresponds to the annual accounts we have audited, and whether the annual accounts have been formatted, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital file examined fully corresponds to the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with our additional report to the Company's audit committee dated **24 February 2022**.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on **2 April 2020** for a period of **two** years, from the year ended **31 December 2020**.

Previously, we had been appointed for a period of **three** years, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended **31 December 2017**.

KPMG Auditores, S.L.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Enrique Asla García

On the Spanish Official Register of Auditors ("ROAC") with No. **1,797**

25 February 2022



**FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR THE YEAR ENDED 31
DECEMBER 2021**

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Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

(Millions of euros)

ASSETS	Notes	2021	2020 (*)
NON-CURRENT ASSETS		47,670	47,111
Intangible assets	7	114	105
Computer software		114	104
Other intangible assets		—	1
Property, plant and equipment	8	275	281
Land and buildings		217	220
Technical installations and other items		58	61
Non-current investments in group companies and associates		46,219	45,721
Equity instruments	10	46,065	43,258
Loans to companies	9, 23.1.a	127	2,458
Derivatives	9, 15, 23.1.c	27	5
Non-current investments		22	13
Loans to third parties	9	3	3
Derivatives	9.15	19	10
Deferred tax assets	17.4	342	321
Non-current trade and other receivables	17.7	698	670
CURRENT ASSETS		3,108	1,143
Current trade and other receivables		278	345
Trade receivables		—	1
Trade receivables, group companies and associates	23.1.b	69	62
Other receivables		4	4
Current tax assets	17.1	123	248
Other public administration receivables	17.1	82	30
Current investments in group companies and associates		2,625	544
Loans to companies	9, 23.1.a	22	29
Other financial assets	9, 23.1.a	2,603	515
Current investments		46	42
Derivatives	9.15	15	40
Other financial assets	9	31	2
Current prepayments		4	—
Cash and cash equivalents		155	212
Cash on hand		155	212
TOTAL ASSETS		50,778	48,254

(*) The Statement of Financial Position at 31 December 2020 is presented for comparative purposes only. The accompanying Notes are an integral part of the Statement of Financial Position at 31 December 2021.



Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

(Millions of euros)

LIABILITIES	Notes	2021	2020 (*)
EQUITY	11	31,604	31,802
CAPITAL AND RESERVES		31,597	31,813
Capital	11.1	4,775	4,762
Registered capital		4,775	4,762
Share premium	11.2	14,215	14,361
Reserves		1,283	1,328
Legal and bylaw reserves	11.3	969	969
Other reserves		314	359
Treasury shares and own equity investments	11.5	(1,852)	(1,977)
Prior years' profit and loss		10,976	11,018
Retained earnings		10,976	11,018
Profit/(loss) for the year		2,160	2,292
Other equity instruments	12	40	29
VALUATION ADJUSTMENTS	11.6	7	(11)
Hedging instruments		7	(11)
NON-CURRENT LIABILITIES		11,439	8,708
Non-current provisions		478	484
Non-current employee benefits	13.1	220	224
Other provisions	13.2	258	260
Non-current payables		360	263
Bank borrowings	9.14	298	206
Finance lease payables	8,9,14	52	54
Derivatives	9.15	8	—
Other financial liabilities	9	2	3
Payables to group companies and associates, non-current	9, 15, 23.1.a, 23.1.c	9,788	7,209
Deferred tax liabilities	17.4	813	752
CURRENT LIABILITIES		7,735	7,744
Current payables		1,190	1,236
Bank borrowings	9.14	1,082	1,165
Finance lease payables	8,9,14	2	2
Derivatives	9.15	94	47
Other financial liabilities	9	12	22
Payables to group companies and associates, current	9, 15, 23.1.a, 23.1.c	6,413	6,387
Trade and other payables		132	121
Suppliers, group companies and associates	23.1.b	14	12
Other payables		49	41
Personnel (salaries payable)		22	21
Other public administration payables	17.1	47	47
TOTAL EQUITY AND LIABILITIES		50,778	48,254

(*) The Statement of Financial Position at 31 December 2020 is presented for comparative purposes only. The accompanying Notes are an integral part of the Statement of Financial Position at 31 December 2021.



Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

(Millions of euros)

	Notes	2021	2020 (*)
CONTINUING OPERATIONS			
Revenue	18.1	2,674	2,847
Sales		—	3
Finance income from equity investments in group companies and associates	10,23.2	2,257	2,449
Finance income from debt securities and other financial instruments of group companies and associates	23.2	33	21
Income from services rendered to group companies and associates	23.2	384	374
Own work capitalised	7.8	3	2
Supplies		(1)	(1)
Merchandise used		(1)	(1)
Other operating income		1	1
Non-trading and other operating income		1	1
Personnel expenses		(170)	(116)
Salaries and wages		(114)	(99)
Employee benefits expense	18.2	(56)	(17)
Other operating expenses		(218)	(191)
External services		(216)	(222)
Taxes		—	32
Losses, impairment and changes in trade provisions		—	1
Other current operating expenses		(2)	(2)
Amortisation and depreciation	7.8	(72)	(70)
Provision surplus		14	—
Impairment and gains/(losses) on disposal of financial instruments of group companies and associates		110	(102)
Impairment and losses	10	108	(102)
Gains/(losses) on disposal and other		2	—
OPERATING INCOME		2,341	2,370
Finance income	18.5	25	23
From debt securities and other financial instruments in third parties		25	23
Finance expenses	18.4	(223)	(143)
Due to borrowings from group companies and associates	23.2	(207)	(136)
Due to third-party borrowings		(5)	4
Provision adjustments		(11)	(11)
Change in fair value of financial instruments	18.6	(45)	(11)
Trading portfolio and other		(45)	(11)
Exchange differences	18.7	(10)	14
NET FINANCE INCOME/(EXPENSE)		(253)	(117)
PROFIT/(LOSS) BEFORE INCOME TAX		2,088	2,253
Income tax	17.3	72	39
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		2,160	2,292
PROFIT/(LOSS) FOR THE YEAR		2,160	2,292

(*) The Income Statement for the year ended 31 December 2020 is presented for comparison purposes only. The accompanying Notes are an integral part of the Income Statement for the year ended on 31 December 2021.



Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(Millions of euros)

A) Statement of Recognised Income and Expense for the year ended 31 December 2021

	Notes	2021	2020 (*)
PROFIT/(LOSS) FOR THE YEAR		2,160	2,292
INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY			
Cash flow hedges	11.6	—	(1)
Hedging costs	2.1, 11.6	(12)	—
Actuarial gains and losses and other adjustments	13.1.a	(19)	—
Tax effect	11.6, 17.4	7	(1)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY		(24)	(2)
AMOUNTS TRANSFERRED TO THE INCOME STATEMENT			
Cash flow hedges	11.6	8	12
Hedging costs	2.1, 11.6	4	—
Tax effect	11.6	(3)	(3)
TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		9	9
TOTAL RECOGNISED INCOME AND EXPENSE		2,145	2,299

(*) The Statement of Recognised Income and Expense for 2020 is presented for comparison purposes only.

The accompanying Notes are an integral part of the Statement of Recognised Income and Expense for the year ended 31 December 2021.



Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails.

B) Statement of Changes in Equity for the year ended 31 December 2021

(Millions of euros)

	Capital (Note 11.1)	Share premium (Note 11.2)	Reserves (Notes 11.3, 11.4 and 11.5)	Treasury shares and own equity investments (Note 11.5)	Prior years' profit and loss	Profit/(loss) for the year (Note 3)	Other equity instruments (Note 12)	Valuation adjustments (Note 11.6)	TOTAL
OPENING BALANCE 2020	4,771	14,512	3,093	(1,428)	8,732	2,849	30	(19)	32,540
Total recognised income and expense	—	—	(1)	—	—	2,292	—	8	2,299
Transactions with shareholders or owners									
Reduction in share capital	(160)	—	(1,758)	1,918	—	—	—	—	—
Scrip issue	151	(151)	—	—	—	—	—	—	—
Distribution of earnings	—	—	—	—	2,286	(2,849)	—	—	(563)
Transactions with treasury shares or own equity instruments (net)	—	—	5	(2,467)	—	—	—	—	(2,462)
Other changes in equity	—	—	(11)	—	—	—	(1)	—	(12)
CLOSING BALANCE 2020 (*)	4,762	14,361	1,328	(1,977)	11,018	2,292	29	(11)	31,802
OPENING BALANCE 2021	4,762	14,361	1,328	(1,977)	11,018	2,292	29	(11)	31,802
Application of Royal Decree 1/2021 (Note 2.1)	—	—	(18)	—	—	—	—	18	—
ADJUSTED OPENING BALANCE 2021	4,762	14,361	1,310	(1,977)	11,018	2,292	29	7	31,802
Total recognised income and expense	—	—	(15)	—	—	2,160	—	—	2,145
Transactions with shareholders or owners									
Reduction in share capital	(133)	—	—	1,898	(1,765)	—	—	—	—
Scrip issue	146	(146)	—	—	—	—	—	—	—
Distribution of earnings	—	—	—	—	1,723	(2,292)	—	—	(569)
Transactions with treasury shares or own equity instruments (net)	—	—	7	(1,773)	—	—	—	—	(1,766)
Other changes in equity	—	—	(19)	—	—	—	11	—	(8)
CLOSING BALANCE 2021	4,775	14,215	1,283	(1,852)	10,976	2,160	40	7	31,604

(*) The Statement of Changes in Equity for 2020 is presented for comparison purposes only.
The accompanying Notes are an integral part of the Statement of Changes in Equity for the year ended 31 December 2021.



Translation of Financial statements originally issued in Spanish and prepared in accordance with accounting principles generally accepted in Spain (see Note 26). In the event of a discrepancy, the Spanish-language version prevails.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

(Millions of euros)

	Notes	2021	2020 (*)
Profit/(loss) for the year before tax		2,088	2,253
Adjustments for:		(2,056)	(2,141)
Amortisation and depreciation	7,8	72	70
Impairment		(108)	101
Changes in provisions		(14)	—
(Gains)/losses on disposal of financial instruments		(2)	—
Finance income	18.1,18.5	(2,315)	(2,493)
Finance expenses	18.4	223	143
Exchange differences	18.7	10	(14)
Change in fair value of financial instruments	18.6	45	11
Other income and expenses		33	41
Changes in operating assets and liabilities		(21)	(54)
Trade and other receivables		(32)	18
Trade and other payables		11	(72)
Other cash flows from operating activities		2,281	2,940
Interest paid		(155)	(150)
Dividends received		2,228	3,117
Interest received		30	65
Income tax proceeds/(payments)		212	(34)
Other proceeds/(payments)		(34)	(58)
CASH FLOWS FROM OPERATING ACTIVITIES		2,292	2,998
Payments for investments		(5,369)	(2,794)
Group companies and associates	10	(5,167)	(2,721)
Intangible assets	7	(62)	(46)
Property, plant and equipment	8	(13)	(18)
Other financial assets		(127)	(9)
Proceeds from divestments		3,027	1,371
Group companies and associates	10	2,928	1,363
Other financial assets		99	8
CASH FLOWS USED IN INVESTING ACTIVITIES		(2,342)	(1,423)
Proceeds from and payments for equity instruments		(1,826)	(2,583)
Acquisition of own equity instruments	11.5	(1,896)	(2,708)
Disposal of own equity instruments	11.5	70	125
Proceeds from and payments for financial instruments		2,388	1,694
Instruments issued		7,120	7,117
Bank borrowings		1,227	1,120
Payables to group companies and associates		5,878	5,887
Other payables		15	110
Redemption and repayment		(4,732)	(5,423)
Bank borrowings		(1,191)	(1,140)
Payables to group companies and associates		(3,516)	(4,130)
Other payables		(25)	(153)
Dividends paid and payments on other equity instruments		(569)	(563)
Dividends		(569)	(563)
CASH FLOWS USED IN FINANCING ACTIVITIES		(7)	(1,452)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(57)	123
Cash and cash equivalents at beginning of year		212	89
Cash and cash equivalents at end of year		155	212

(*) The Statement of Cash Flows for 2020 is presented for comparison purposes only.
The accompanying Notes are an integral part of the Statement of Cash Flows for the year ended 31 December 2021.



IBERDROLA, S.A.

Notes to the Financial Statements for the year ended 31 December 2021

1. COMPANY ACTIVITY

Pursuant to article 5 of its By-Laws, the corporate purpose of Iberdrola, S.A. (hereinafter “IBERDROLA”), a company incorporated in Spain, is as follows:

- To carry out all manner of activities, works and services inherent in or related to the business of production, transmission, switching and distribution or supply of electric power or electricity by-products and applications thereof and the raw material or energy needed for the generation thereof; energy, engineering, information-technology, telecommunications and internet-related services; water treatment and distribution; the integral provision of urban and gas supply services, as well as other gas storage, regasification, transportation or distribution activities, which will be carried out indirectly through the ownership of shares or equity interests in other companies that will not engage in the supply of gas.
- The distribution, representation and marketing of all manner of goods and services, products, articles, merchandise, software programs, industrial equipment and machinery, tools, utensils, spare parts and accessories.
- The investigation, study and planning of investment and corporate organisation projects, as well as the promotion, creation and development of industrial, commercial or service companies.
- The provision of services assisting or supporting companies and businesses in which it has an interest or which are within its corporate group, for which purpose it may provide appropriate guarantees and bonds in favour thereof.

The aforementioned activities may be carried out in Spain as well as abroad, and may be carried out, in whole or in part, either directly by IBERDROLA or through the ownership of shares or equity interests in other companies, subject in all cases and at all times to applicable legal provisions for each industry, especially the electricity industry.

IBERDROLA also provides various services to other group companies, mainly including the provision of IT services and other non-operating, structural and support services, as well as Group financing, which is managed centrally.

IBERDROLA, individually considered, has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant impact on its equity, financial position or results. Therefore, no specific environmental disclosures have been included in these Notes to the Financial Statements.

IBERDROLA has its registered office at Plaza Euskadi 5, in Bilbao.



2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. ACCOUNTING LEGISLATION APPLIED

The Financial Statements have been prepared in accordance with the Spanish General Chart of Accounts (*Plan General de Contabilidad*) (PGC) approved by Royal Decree 1514/2007 of 16 November, which was amended in 2016 by Royal Decree 602/2016 of 2 December, and Royal Decree 1/2021 of 12 January and prevailing commercial legislation.

The accounting principles and measurement methods used to draw up IBERDROLA's 2021 Financial Statements are fully consistent with those used to draw up IBERDROLA's 2020 Financial Statements, except for the application on 1 January 2021 of Royal Decree 1/2021 of 12 January.

Meanwhile, the Spanish Accounting and Auditing Institute (Instituto de Contabilidad y Auditoría de Cuentas) published its Resolution of 10 February 2021, containing further rules on the recognition, valuation and preparation of annual financial statements in relation to the recognition of revenue from goods delivered and services rendered, although this has had no material impact on these statements.

IBERDROLA has applied the new regulations with a first application date of 1 January 2021, availing itself of the option not to restate the figures for comparative periods.

IBERDROLA's Financial Statements have been subject to the following main changes in accounting criteria:

Classification and measurement of financial assets and liabilities

Royal Decree 1/2021 replaces the previous classification of financial assets. Financial assets are now classified according to the business model in which they are held and the characteristics of their contractual cash flows. The new law largely maintains the pre-existing requirements for the classification and measurement of financial liabilities.

IBERDROLA has applied the classification and measurement requirements retroactively.

IBERDROLA has classified its financial assets into the following categories:

Category	
At cost	Includes equity investments in group companies, jointly controlled companies and associates and other equity investments whose fair value cannot be reliably estimated.
At amortised cost	Financial assets that: <ul style="list-style-type: none"> - are held within a business model where the objective is to hold the assets to obtain the contractual cash flows, and - where the contractual terms produce cash flows on specified dates that are only payments of principal and interest on the amount of the outstanding principal.
At fair value through profit or loss	This category includes financial assets that do not meet the conditions for classification under the previous categories.



Therefore, the following new categories have been created to replace the ones formerly in use (Note 9):

Before	After
Loans and receivables	Financial assets at amortised cost
Equity investments in group companies, jointly-controlled entities and associates	Financial assets at cost
Assets held for trading	Financial assets at fair value through profit or loss

Aside from the changes made to the names of financial asset categories, Royal Decree 1/2021 has had no further impact on equity.

The classification of IBERDROLA's financial liabilities has not changed with respect to that included in the separate Financial Statements for 2020, except for “Debts and payables”, which have been reclassified as “Liabilities at amortised cost” and “Liabilities held for trading”, which have been reclassified as “Financial liabilities at fair value through profit or loss”, without this affecting the valuation criteria previously applied.

Hedge accounting

Royal Decree 1/2021 aligns hedge accounting more closely with risk management, introduces a more principles-based approach and addresses inconsistencies and weaknesses in the hedge accounting model of the previously applied measurement standard.

IBERDROLA has hedging relationships where the hedged item is an item referring to a period of time. In accordance with Royal Decree 1/2021, it has been decided to separate the forward and spot components and to designate only the spot component as hedging instruments. The forward component is recorded as a cost of the hedge in equity and is reclassified to profit or loss on a systematic basis over the period in which the hedged transaction may affect profit or loss for the period.

Until 31 December 2020, this forward component excluded from the hedge was recognised in the Income Statement. The change in accounting criteria took retroactive effect back to 1 January 2021 and resulted in a charge of EUR 18 million to “Reserves” in the Statement of Financial Position and a credit to “Valuation adjustments” in the Statement of Financial Position.

These Financial Statements have been authorised for issue by the directors of IBERDROLA and will be submitted for approval at the General Shareholders' Meeting. It is expected that they will be approved without modification.

Unless stated otherwise, the figures appearing in these Financial Statements are expressed in millions of euros. The euro is the Company's functional currency.

IBERDROLA has drawn up its consolidated Financial Statements in accordance with current law, pursuant to the provisions of International Financial Reporting Standards (IFRS) as approved by the European Union. The main figures shown in the IBERDROLA Group's 2021 and 2020 consolidated Financial Statements are as follows:



Millions of euros	2021	2020
Total assets	141,752	122,518
Equity:		
Parent	40,479	35,412
Non-controlling interests	15,647	11,806
Revenue	39,114	33,145
Profit/(loss) for the year:		
Parent	3,885	3,611
Non-controlling interests	467	341

2.2. TRUE AND FAIR VIEW

The Financial Statements have been prepared on the basis of IBERDROLA's auxiliary accounting records, in accordance with prevailing accounting legislation and the electronic reporting format requirements set out in Commission Delegated Regulation EU 2018/815, in order to give a true and fair view of the equity, financial position and results of IBERDROLA.

The Statement of Cash Flows has been drawn up to present fairly the source and application of IBERDROLA's cash and cash equivalents.

At 31 December 2021 IBERDROLA's Statement of Financial Position showed a working capital deficit (current liabilities exceeding current assets) in the amount of EUR 4,627 million. This deficit is largely due to the existence of current debt with group companies and associates in the amount of EUR 6,413 million. According to IBERDROLA's directors, this will be offset by the generation of funds from the IBERDROLA Group's businesses and the dividends received from its subsidiaries. Moreover, IBERDROLA has undrawn loans totalling EUR 5,999 million (Note 5).

2.3. COMPARATIVE INFORMATION

In accordance with commercial legislation, figures for the previous year have been provided along with the figures for 2021 for comparative purposes in relation to each item on the Statement of Financial Position, Income Statement, Statement of Changes in Equity and Statement of Cash Flows. Quantitative information from the previous year is also included in the Notes.

3. DISTRIBUTION OF EARNINGS

IBERDROLA's Board of Directors has agreed to submit for the approval of the shareholders at the General Shareholders' Meeting the following distribution of 2021 profit and prior years' profit and loss:



Millions of euros	2021
Basis for distribution:	
Prior years' profit and loss	10,976
Profit for financial year 2021	2,160
Total	13,136
Distribution:	
To legal reserve	—
To dividends	Amount to be determined by adding: (a) the Total Interim Dividend and (b) the result of multiplying the Final Dividend by the total number of shares in respect of which the holders have decided to receive the Final Dividend under the framework of the first-time implementation of the <i>Iberdrola Retribución Flexible</i> optional dividend system for 2022.
To retained earnings	Amount to be determined resulting from deducting the amounts earmarked for dividends from the total basis for distribution.
Total	13,136

IBERDROLA's Board of Directors has agreed to propose at the General Shareholders' Meeting the distribution (chargeable to earnings for 2021 and prior years' profit and loss) of a dividend the gross amount of which will be the sum of the following amounts:

- (a) the EUR 353 million that was paid out as an interim dividend for 2021 on 1 February 2022 to the holders of 2,077,587,951 IBERDROLA shares that chose to receive their remuneration in cash under the second application of the optional *Iberdrola Retribución Flexible* optional dividend system for 2021 and therefore received EUR 0.17, gross, per share (the *Total Interim Dividend*); and
- (b) the amount to be determined by multiplying:
 - (i) the gross amount per share that the Company will pay out as final dividends for 2021 under the framework of the first application of the 2022 *Iberdrola Retribución Flexible* optional dividend system (the *Final Dividend*); by
 - (ii) the total number of shares upon which the holders have opted to receive the *Final Dividend* within the framework of the first application of the *Iberdrola Retribución Flexible* optional dividend system for 2022.

On the date of authorisation for issue of these Financial Statements, it is not possible to determine the amount of the *Final Dividend* or, consequently, the amount of the dividend charged to 2021 profit.

The Final Dividend will be paid together with the implementation of the bonus issue that the Board of Directors will propose to the General Shareholders' Meeting, to offer the shareholders the possibility of receiving their remuneration in cash (through the payment of the *Final Dividend*) or in the newly-issued scrip shares of the Company (through the aforementioned bonus issue).

Payment of the *Final Dividend* will be one of the alternatives that a shareholder may choose when receiving their remuneration in the first-time application of the *Iberdrola Retribución Flexible* optional dividend system corresponding to 2022, which will be carried out through the aforementioned scrip issue.



4. ACCOUNTING POLICIES

4.1. INTANGIBLE ASSETS

Intangible assets are measured at acquisition cost or production cost, less any accumulated amortisation and any impairment losses. An intangible asset is recognised only if it is probable that it will generate future economic benefits that will flow to IBERDROLA and the cost of the asset can be measured reliably. The recoverability of intangible assets is analysed when events or changes in circumstances take place that indicate that their carrying amount may not be recovered.

The acquisition price or production cost includes specific and generic finance expenses, incurred prior to putting the asset to use for those intangible assets that take more than one year to be ready for use.

Intangible assets are amortised using the straight-line method over their estimated useful life. If the useful life cannot be reliably estimated, the intangible assets will be amortised on a 10-year basis, unless another legal or regulatory provision establishes a different time limit. The amortisation periods and methods are revised annually at year end and, where appropriate, adjusted prospectively.

Computer software

The costs incurred in connection with the basic computer systems used in the management of IBERDROLA and developed in-house, and the amounts paid for ownership of or the right to use programs, are also recorded under the “Intangible assets” heading of the Statement of Financial Position. These items are amortised on a straight-line basis over a maximum period of five years from the date on which each application comes into service. Personnel expenses for employees who have worked on IT projects are recognised as an increase in the cost of the projects and recorded with a credit to “Own work capitalised” in the Income Statement.

4.2. PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at acquisition or production cost, including the legally permitted revaluations undertaken by IBERDROLA under Royal Decree-law 7/1996, less accumulated depreciation and impairment losses, if any.

The acquisition price or production cost includes specific and generic financial costs incurred prior to putting the asset into use for assets that take more than one year to be ready for use. Also, personnel expenses related directly or indirectly to facilities under construction are recognised as an increase in the cost of the projects and recorded with a credit to “Own work capitalised” in the Income Statement.

Repairs that do not prolong the useful life of the assets and maintenance expenses are charged directly to the Income Statement as accrued. Expenses incurred for expansion or improvements that increase the productivity or prolong the useful life of the asset are capitalised as an increase in the value of the assets.



Replacements or renewals of complete units are recorded as an increase in property, plant and equipment, and the units replaced or renewed are derecognised.

IBERDROLA transfers work under construction to property, plant and equipment in use upon startup of the plant.

Leases are classified as finance leases when an analysis of the nature of the agreement and its terms and conditions reveals that all risks and rewards of ownership of the asset have been substantially transferred to IBERDROLA. Therefore, the property acquired under these leases is accounted for by its nature in property, plant and equipment for an amount equal to the lower of its fair value and the present value of minimum payments set at the beginning of the lease.

The amortisation and depreciation of the fixed assets shown on the Statement of Financial Position at 31 December 2021 is based on cost using the straight-line method over the following estimated years of useful life:

	Average years of estimated useful life
Buildings	50
Equipment for IT processes	4 – 8
Other fixed assets	7 – 40

At each financial year end, IBERDROLA reviews and adjusts, where necessary, the assets' residual values, useful lives and depreciation method, prospectively adjusting them, as appropriate.

4.3. IMPAIRMENT OF NON-CURRENT NON-FINANCIAL ASSETS

IBERDROLA assesses, at least annually, whether there is any indication that its non-current non-financial assets may be impaired. If any such indication exists, the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of fair value less cost to sell, or value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risk to the asset. For assets that do not generate cash inflows that are largely independent of those from other financial assets or groups of assets, the recoverable amount is determined for the cash-generating units to which the asset belongs.

Impairment losses are recognised for all assets or, where appropriate, their cash-generating units, when the carrying amount exceeds the recoverable amount. Impairment losses are recognised in the Income Statement and, except in the case of goodwill, reversed if there has been a change in the estimates used to determine the asset's recoverable amount. Reversal of an impairment loss is recognised as income in the Income Statement and only to the extent that the increased carrying amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset.



4.4. FINANCIAL INSTRUMENTS

4.4.1 Classification and measurement of financial assets and liabilities

IBERDROLA determines the most appropriate classification for each asset on acquisition and reviews the classification at each year end date.

Prior to 1 January 2021, i.e. prior to the application of Royal Decree 1/2021 (Note 2.1), IBERDROLA classified its financial assets under the following categories:

- Loans and receivables: measured at amortised cost using the effective interest method;
- Equity investments in group companies, jointly-controlled entities and associates: measured at cost; and
- Assets held for trading: measured at fair value through profit or loss. The IBERDROLA Group included in this category derivative financial instruments that did not meet the conditions for hedge accounting.

As of 1 January 2021, the financial assets and liabilities of IBERDROLA are classified as follows:

a) *Financial assets at cost*

This category includes investments in companies in which the entity exercises control (group companies) or joint control via by-law resolutions or contractual arrangements with one or more partners (jointly controlled entities), or has significant influence (associates) and investments in equity instruments the fair value of which cannot be reliably determined.

In the Statement of Financial Position, these investments are initially recognised at fair value which, barring evidence to the contrary, is the transaction price. The transaction price is equivalent to the fair value of the consideration given. The initial value includes preferential subscription and similar rights acquired. After initial measurement, these financial assets are stated at cost, less any accumulated impairment loss.

In the case of non-monetary contributions to a group company for the purpose of a business, the investment is measured at the carrying amount of the delivered assets and liabilities in the consolidated Financial Statements on the date the transaction was performed. The consolidated Financial Statements used are those of the higher group or subgroup, whose parent is Spanish, in which the assets and liabilities are included. In the event the aforementioned financial statements are not prepared, in accordance with any exemption provided for in the consolidation criteria, the values prior to carrying out the transaction in the separate Financial Statements of the contributing company will be taken.

When these assets must be valued, for derecognition from the Statement of Financial Position or other purposes, they are measured using the weighted average cost method by standard groups, understanding that these values have the same rights. When pre-emptive subscription rights or similar are sold or transferred for exercise, the cost of the rights is deducted from the carrying amount of the related assets.



b) *Financial assets at amortised cost*

Financial assets that meet the following conditions are included in this category:

- The assets are held within a business model where the objective is to hold the assets to obtain the contractual cash flows, and
- The contractual terms produce, on specified dates, cash flows that are only payments of principal and interest on the amount of the outstanding principal .

These assets are initially recognised at fair value plus transactions costs and are subsequently measured at amortised cost. Interest accrued is recognised in the Income Statement applying the effective interest method. However, financial assets maturing in less than a year that do not have a contractual interest rate are measured both initially and subsequently at their nominal amount when the impact of not discounting cash flows is immaterial.

c) *Financial assets at fair value through profit or loss*

This category includes all other financial assets, including derivative financial instruments, that do not qualify for hedge accounting in accordance with applicable accounting regulations (Note 15).

Assets at fair value through profit or loss are initially recognised at fair value. The transaction costs directly attributable to the purchase or issue are recognised as an expense in the Income Statement as they are incurred. Changes in fair value are recognised in the Income Statement for the year under “Changes in fair value of financial instruments”.

d) *Financial liabilities*

IBERDROLA classifies all financial liabilities measured at amortised cost using the effective interest method, except for derivative financial instruments, which are recognised at fair value.

Financial liabilities at amortised cost are initially recognised at fair value which, barring evidence to the contrary, is the transaction price. The transaction price is equivalent to the fair value of the consideration received. Directly attributable transaction costs are included in the initial measurement of financial liabilities. After initial recognition, financial liabilities included in this category are subsequently measured at amortised cost. Interest accrued is recognised in the Income Statement applying the effective interest method.

However, trade payables maturing within one year that do not have a contractual interest rate are measured at nominal amount when the impact of not discounting cash flows is not significant.

4.4.2. Interest and dividends received on financial assets

Dividends are recognised as income in the Income Statement when the investee or any group company in which the investee holds an interest generates profits in excess of the equity to be distributed.

When the dividends paid come explicitly from profits obtained prior to the acquisition date, these dividends are not recognised as income, but are rather deducted from the carrying amount of the investment.



The judgement as to whether the investee has generated profits will be made solely on the basis of the profits recognised in the separate Income Statement since the date on which the investee was acquired, unless it is clear that the dividend payment out of those profits should be treated as a recovery of the investment in the eyes of the entity receiving the dividend.

Interest is recognised using the effective interest rate method and dividends when the right to receive the payment is established.

4.4.3. Impairment of financial assets

IBERDROLA regularly assesses whether its financial assets or groups of financial assets are impaired.

a) *Financial assets at amortised cost*

If there is objective evidence that an impairment loss on an asset or group of assets carried at amortised cost has been incurred, due to an event or series of events that have occurred after initial recognition and that lead to a reduction or delay in the estimated future cash flows, the carrying amount of the asset or group of assets is corrected.

The amount of the impairment loss on these financial assets is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. For variable-rate financial assets, the effective interest rate at the year-end Financial Statements date based on the contractual terms is used. Impairment losses on a group of financial assets are calculated using models based on statistical formulas or methods.

Impairment adjustments and their reversal, when the amount of such loss decreases due to causes related to a subsequent event, are recognised as an expense or income, respectively, in the Income Statement. The loss can only be reversed to the limit of the carrying amount of the asset had the impairment loss not been recognised.

b) *Equity investments in group companies and associates*

When there is objective evidence that the carrying amount of an investment cannot be recovered, it is adjusted accordingly.

The amount of the loss is measured as the difference between the carrying amount of the investment and its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of the estimated future cash flows. In estimating impairment on investments, the investee's equity (or consolidated equity, as the case may be) is taken into consideration, corrected for any unrealised gains at the measurement date, unless better evidence of the recoverable amount of the investment is available.

The impairment losses and, where appropriate, their reversals are recognised as an expense or income, respectively, in the Income Statement. An impairment loss may be reversed up to the carrying amount of the asset recognised at the date of reversal had no impairment loss been recognised previously.



4.4.4 Derecognition of financial assets

IBERDROLA derecognises a financial asset, or part of a financial asset, when the contractual rights to receive cash flows from the asset have expired or are transferred, and it has transferred substantially all the risks and rewards incidental to its ownership. This is assessed by comparing IBERDROLA's exposure to the change in the amounts and schedule of net cash flows from the transferred asset before and after the transfer.

If IBERDROLA has neither transferred nor retained substantially all the risks and rewards of the financial asset, the financial asset is derecognised when it has not retained control of the asset, which is determined based on the transferee's ability to transfer the asset. If IBERDROLA retains control of the asset, it continues to recognise the asset at the amount of the company's exposure to changes in the fair value of the transferred asset; that is, to the extent of its continuing involvement, and recognises the related liability.

When the financial asset is derecognised, the difference between the net consideration received less directly attributable transaction costs, taking into account any new asset acquired less any liability assumed, and the carrying amount of the financial asset plus any cumulative amounts recognised directly in equity determines the related gain or loss and is recognised in the Income Statement in the year.

IBERDROLA does not derecognise financial assets and recognises a financial liability at the amount received in return in transfers of financial assets where it has retained substantially all the risks and rewards inherent to ownership.

4.4.5 Derecognition of financial liabilities

IBERDROLA derecognises a financial liability when the obligation has been extinguished.

When a debt instrument between IBERDROLA and the counterparty is replaced by another on substantially different terms, the original financial liability is derecognised and the new liability is recognised. The difference between the carrying amount of the financial liability or part of the financial liability and the amount paid to extinguish the liability, including attributable transaction costs and any asset transferred other than cash or liability assumed, is recognised in the Income Statement for the period.

IBERDROLA considers that the conditions are substantially different if the present value of the discounted cash flows under the new conditions, including any fee paid net of any fee received, and using the original effective interest rate for the discount, differs at least 10 per cent from the current discounted value of the remaining cash flows from the original financial liability.

When the debt instrument is replaced by another on terms that are not substantially different, the original financial liability is not derecognised in the Statement of Financial Position, and the carrying amount is adjusted for the fees paid. The amortised cost of the financial liability is determined using the effective interest rate, which is the rate used to discount the carrying amount of the financial liability at the date of modification to the cash flows payable under the new terms.



4.4.6 Derivative financial instruments and hedging arrangements

Derivative financial instruments are initially recognised at fair value in the Statement of Financial Position, and subsequently remeasured at fair value as necessary. Any gains or losses arising from changes in fair value on derivatives are recognised directly in the Income Statement except for those designated as cash flow hedges, in which case the changes in fair value are temporarily recognised in equity.

At the beginning of each hedging relationship, IBERDROLA formally designates and documents the relationship. This documentation includes the beginning and end date of the hedge, the identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how it assesses the instrument's effectiveness. In addition, hedges are assessed periodically to determine that they are highly effective both prospectively and retrospectively.

Hedges that meet the criteria for hedge accounting are accounted for as follows:

a) *Fair value hedges*

Hedge the exposure to changes in the fair value of a recognised asset or liability or firm commitment.

Changes in the fair value of the derivative financial instruments designated as a hedge, or the exchange rate component of a monetary item in the case of hedging instruments that are not derivatives, as well as changes in the fair value of the hedged item due to the hedged risk, are recognised in the Income Statement.

b) *Cash flow hedges*

Used to hedge exposure to fluctuations in cash flows that are either attributable to a specific risk associated with an asset or liability or a highly probable planned transaction, or fluctuations in foreign currency risk under a firm commitment.

Amounts taken to equity are transferred to the Income Statement when the hedged transaction affects profit or loss. When the hedge relates to a forecast transaction that leads to the recognition of a non-financial asset or liability, the amounts taken to equity are transferred to the cost of the asset acquired or liability assumed. The part of the hedge considered ineffective is recorded in the Income Statement.

c) *Hedge of net investment in foreign operations*

Hedges of investments in foreign operations are treated as fair value hedges for the foreign currency component.

Changes in value of the hedging instrument or exchange rate differences associated with the monetary item used as the hedging instrument are recognised in the Income Statement. Changes in value of the investments associated with the underlying amount in foreign currency are recognised in the Income Statement.

Discontinuation of hedge accounting

The IBERDROLA Group prospectively discontinues fair value hedge accounting where the hedging instrument expires, is sold, released or exercised, the hedge no longer fulfils the hedge accounting conditions or the designation is revoked.



When hedge accounting is discontinued, the cumulative amount at that date recognised under “Adjustments for changes in value” in the Statement of Financial Position is maintained in said heading until the hedged transaction occurs, whereupon the gain or loss on the transaction will be adjusted. If a hedged transaction is no longer expected to occur, the amount accumulated under the aforementioned heading is transferred to the Income Statement.

Fair value of derivative financial instruments

The fair value of derivative financial instruments is calculated as follows (Note 15):

- The fair value of derivatives quoted on an organised market corresponds to their quoted price at year end.
- For derivatives not traded in organised financial markets, IBERDROLA uses assumptions based on market conditions at the date of the Statement of Financial Position. In particular:
 - the fair value of interest rate swaps is calculated as the value discounted at market interest rates of the interest rate swap contract spread;
 - currency futures are measured by discounting the future cash flows calculated using the forward exchange rates at year end.

These measurement models take into account the risks of the asset or liability, including the credit risk of both the counterparty (Credit Value Adjustment) and the entity itself (Debit Value Adjustment). The credit risk is calculated according to the following parameters:

- Exposure at default: the amount of the risk arising at the time of non-payment by a counterparty, taking into account any collateral or compensation arrangements connected to the transaction.
- Probability of default: the probability that a counterparty will breach its obligations to pay the principal and/or interest, depending mainly on the features of the counterparty and its credit rating.
- Loss given default: the estimated loss in the event of default.

4.5. CASH AND CASH EQUIVALENTS

This heading includes cash, bank current accounts, short-term deposits and purchases of assets under repurchase agreements that meet the following requirements:

- They are readily convertible to cash.
- They mature within less than three months from the acquisition date.
- The risk of change in value is insignificant.
- They are part of the IBERDROLA’s standard cash management policy.

For the Statement of Cash Flows, occasional bank overdrafts used as part of IBERDROLA’s cash management strategy are recognised as a decrease in cash and cash equivalents.



4.6. TREASURY SHARES

Treasury shares held by IBERDROLA at the date of the Statement of Financial Position under the “Equity – Treasury shares and own equity investments” heading are measured at acquisition cost.

Gains and losses arising from the sale of treasury shares by IBERDROLA Group companies are recognised under “Reserves – Other reserves” in the Statement of Financial Position.

4.7. POST-EMPLOYMENT AND OTHER EMPLOYEE BENEFITS

Contributions to defined contribution post-employment benefit plans are recognised as an expense under the “Personnel expenses” heading in the Income Statement on an accrual basis.

In the case of defined benefit plans, IBERDROLA’s policy is to recognise the related expense on an accrual basis over the working lives of the employees based on actuarial studies by independent experts using the projected unit credit method to measure the obligation accrued at the end of the period. Any actuarial gains and losses are recognised under the “Reserves – Other reserves” heading when they arise. The provision recognised for this item represents the present value of the defined benefit obligation reduced by the fair value of the plan assets.

When the fair value of the assets exceeds the present value of the obligation, the net asset is not recognised in the Statement of Financial Position unless it is virtually certain that it will be recovered by IBERDROLA.

4.8. REDUNDANCY AND OTHER EARLY RETIREMENT PLANS

IBERDROLA recognises termination benefits when there is an agreement with the employees or a certain expectation that such an agreement will be reached that will enable the employees to be terminated in exchange for a severance payment.

IBERDROLA has labour force reduction plans in progress which guarantee those benefits will be received throughout the pre-retirement period.

IBERDROLA recognises the full amount of the expenditure relating to these plans when the obligation is incurred by performing the appropriate actuarial studies to calculate the present value of the actuarial obligation at year end. The actuarial gains and losses disclosed each year are recognised in the Income Statement for that year.

4.9. TERMINATION BENEFITS

Under current labour regulations, IBERDROLA is required to make severance payments to terminated employees under certain conditions.



4.10. SHARE-BASED EMPLOYEE COMPENSATION

The delivery of IBERDROLA shares to employees as consideration for their services is recognised under the “Personnel expenses” heading in the Income Statement as the employees perform the services, with a credit to equity under the “Reserves – Other reserves” heading in the Statement of Financial Position at the fair value of the equity instruments on the grant date, defined as the date when IBERDROLA and its employees reach an agreement establishing the terms of the compensation.

If share-based remuneration is paid in cash, the amount booked as “Personnel expenses” in the Income Statement is credited to “Non-current payables – Other financial liabilities” on the liabilities side of the Statement of Financial Position, and the fair value of the cash consideration is remeasured at each reporting date.

4.11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

IBERDROLA relies on its best estimates to recognise provisions for contingencies and expenses to cover probable or certain quantifiable liabilities arising from litigation in progress or from indemnity payments, obligations or unpaid expenses of an undetermined amount, and collateral and other similar guarantees provided by the company.

Provisions are recognised in the Statement of Financial Position when IBERDROLA has a present obligation (legal, contractual, constructive or tacit) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

A provision is recognised when the liability or obligation arises, with a charge to the heading in the Income Statement in accordance with the nature of the obligation, for the present value of the provision when the effect of discounting the value of the obligation to present value is material. The change in the provision due to its discounting each year is recognised under “Finance expenses” in the Income Statement.

In addition, contingent liabilities are understood as possible obligations resulting from past events, the occurrence of which is subject to future events that are not entirely under the control of IBERDROLA, as well as current obligations resulting from past events, for which it is not probable that an outflow of resources will be required to settle the obligation or that they cannot be measured reliably. These contingent liabilities are not recognised, but are detailed in the Notes when an outflow of resources is possible.

Contingent assets are only recognised when their realisation is deemed virtually certain.

4.12. TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currency are initially recognised at the exchange rate prevailing at the date of the transaction.



Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the date of the Statement of Financial Position. All translation differences, both gains and losses, originated in this process, including those arising from the settlement of items on the Statement of Financial Position, are taken to the Income Statement for the year in which they arise.

4.13. INCOME TAX

IBERDROLA files consolidated tax returns with certain group companies.

Income tax expense for the year is calculated as the sum of the current tax expense derived by applying the corresponding tax rate to the tax base for the year, after taking into account all applicable tax relief and deductions, and the change in deferred tax assets and liabilities recognised. Tax deductions and credits are recognised in the companies that generated them.

Income tax expense is recognised in the Income Statement except when it relates directly to items recognised in equity, in which case it is also recognised in this heading.

Current tax assets and liabilities are measured at the amount expected to be recovered from/paid to the tax authorities. The tax rates used are those in force at the date of the Statement of Financial Position, including any tax adjustments from previous years.

Meanwhile, temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements generate deferred income tax balances.

IBERDROLA recognises deferred tax liabilities for all taxable temporary differences unless the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affected neither accounting profit nor taxable profit or loss.

IBERDROLA recognises deferred tax assets for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that IBERDROLA will have taxable profit available against which these can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss.

At the end of each year, IBERDROLA reviews the deferred tax assets recognised at the date of the Statement of Financial Position and those that have not been recognised previously. Based on this review, IBERDROLA derecognises a previously recognised asset if it is no longer probable that it will be recovered or recognises a deferred tax asset not previously recorded only if it is probable that IBERDROLA will have sufficient taxable profit available for it to be utilised.

Unless there is evidence to the contrary, it is not considered likely that the tax group will have future tax gains if future recovery is expected in more than 10 years from the reporting date. However, it is considered likely that the tax group will have sufficient tax gains to recover deferred tax assets where there are taxable temporary differences that may be reversed in the same year as the expected reversal of deductible temporary differences or in years in which a tax loss, due to a deductible temporary difference, can be netted against previous or subsequent gains.



Deferred tax assets and liabilities are measured at the tax rates that are expected to apply at the time of the reversal based on tax laws in effect and on how it is reasonably expected to recover the deferred tax asset or settle the deferred tax liability. Changes to the carrying amounts of deferred tax assets and liabilities are recognised in the Income Statement, except where the related deferred tax assets and liabilities are recognised directly in equity.

Deferred tax assets and liabilities are measured without taking into account the impact of the time value of money.

4.14. CURRENT/NON-CURRENT CLASSIFICATION OF ASSETS AND LIABILITIES

Assets and liabilities are classified in the Statement of Financial Position as current or non-current. Accordingly, assets and liabilities are classified as current when they are associated with IBERDROLA's operating cycle and are expected to be sold, consumed, realised or settled within one year.

4.15. INCOME AND EXPENSES

Income and expenses are recognised at the time the goods or services they represent are delivered or rendered, regardless of when actual payment or collection occurs.

Income from the sale of goods and rendering of services is recognised at the fair value of the consideration received or to be received, derived from them, less the amount of any discount, price reduction or similar granted by the company, as well as the indirect taxes levied on the transactions which can be passed on to third parties.

Income is recognised based on the economic substance of the transaction and is recognised when all of the following conditions are met:

- IBERDROLA has transferred the significant risks and rewards of ownership of the goods to the buyer, regardless of when legal title is transferred.
- IBERDROLA does not maintain managerial involvement to the extent usually associated with ownership and effective control over the goods.
- The amount of the income can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to IBERDROLA.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

In addition, income from the rendering of services is recognised when the outcome of the transaction can be estimated reliably, taking into account the stage of completion at the reporting date. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, income should be recognised to the extent of the expenses recognised that are deemed recoverable.



As a holding company of the IBERDROLA Group, IBERDROLA includes dividends and accrued income from financing granted to subsidiaries, as well as services rendered to group companies, under the heading “Revenue” in the Income Statement.

4.16. RELATED-PARTY TRANSACTIONS

Related-party transactions are accounted for pursuant to the aforementioned valuation standards.

5. FINANCIAL RISK MANAGEMENT

The IBERDROLA Group, of which Iberdrola, S.A. is the parent, is exposed to various financial risks inherent in the countries, industries and markets in which it operates and the businesses it carries out, which could prevent it from achieving its objectives and successfully pursuing its strategies.

In particular, the *Financing and Financial Risk Policy* and the *Corporate Risk Credit Policy* of the IBERDROLA Group, both approved by the Board of Directors, identify the risk factors described below that could affect the Company. The IBERDROLA Group has an organisation and systems that enable it to identify, measure and control the financial risks to which it is exposed.

The Company performs its corporate business activities indirectly through the ownership of shares or other equity investments in other companies (country subholding companies, which in turn operate through the parent companies of their respective businesses). The corporate and governance organisation is based on the recognition of the multinational nature of the Group.

Interest rate risk

The Company is exposed to the risk of fluctuations in interest rates affecting cash flows and fair value in respect of items in the Statement of Financial Position (debt and derivatives).

In order to adequately manage and limit this risk, each year the Company determines the desired structure of the debt between fixed and floating interest rate. The actions to be carried out throughout the year are regularly planned: new sources of financing (at a fixed, floating or indexed rate) and/or the use of interest rate derivatives.

IBERDROLA's debt structure, comprising bank borrowings and finance lease payables, at 31 December 2021 and 2020, after taking into account hedging via derivatives, is as follows:

Millions of euros	2021	2020
Fixed interest rate	394	276
Floating interest rate	1,040	1,151
Total	1,434	1,427



The debt structure at 31 December 2021 and 2020, after taking into account hedges via derivatives, is as follows:

Millions of euros	2021	2020
Fixed interest rate	6,176	3,329
Floating interest rate	10,025	10,266
Total	16,201	13,595

Floating rate debt is referenced to Euribor.

Currency risk

As IBERDROLA's functional currency is the euro, fluctuations in the value of the currencies of borrowings and transactions (mainly pound sterling, US dollar and Brazilian real) with respect to the euro may have an impact on the Group's finance expenses, earnings for the year and equity.

IBERDROLA mitigates this risk by ensuring that all of its economic flows are in euros, provided that this is possible, economically viable and efficient, or otherwise through the use of derivatives.

The impact of exchange rate variations on investments in foreign subsidiaries is mitigated by holding debt in foreign currency, as well as through financial derivatives.

Liquidity risk

Exposure to adverse situations in the debt or capital markets or Iberdrola, S.A.'s economic and financial situation can hinder or prevent it from obtaining the financing required to properly carry out its business activities.

The IBERDROLA Group's liquidity policy, which has a global focus, is designed to ensure that it can meet its payment obligations without having to rely on financing under unfavourable terms. For this purpose, various management metrics are used, such as the arrangement of committed credit facilities of sufficient amount, term and flexibility, diversification of the hedging of financing needs through access to different markets and geographical areas, and diversification of the maturities of the debt issued.

Figures showing IBERDROLA's debt performance are included in Note 14 to the Financial Statements.



At 31 December 2021 and 2020, IBERDROLA had undrawn loans and credit facilities totalling EUR 5,999 million and 5,990 million, respectively. The following table provides a breakdown by maturity of the liquidity position at 31 December 2021 and 2020, based on the balance of the “Cash and cash equivalents” heading of the Statement of Financial Position:

Millions of euros	2021	2020
Available maturity		
2021	—	190
2022	199	—
2023	500	500
2024 and beyond	5,300	5,300
Total	5,999	5,990
Cash and cash equivalents	155	212
Liquidity position	6,154	6,202

Credit risk

IBERDROLA Group companies are exposed to the credit risk arising from the possibility that their counterparties (customers, financial institutions, partners, insurers, etc.) might fail to honour their contractual obligations.

Risk is properly managed and limited, depending on the type of transaction and the creditworthiness of counterparties. Notably, there is a *Corporate Credit Risk Policy* setting the framework and principles of conduct for proper risk management.

Receivables do not carry a material credit risk for IBERDROLA since its activity as a holding company for the Group is centred on services provided to other group companies. There were no material non-payments or losses in 2021 or 2020 in relation to other exposures (counterparties in transactions with derivatives, placement of cash surpluses, etc.).

Sensitivity analysis

The following sensitivity analyses show, for each type of risk (without reflecting the interdependence among risk variables), how profit or loss for the year and equity might be affected by reasonably possible changes in each risk variable at 31 December 2021.

– Interest rates:

To calculate the sensitivity of profit or loss to changes in interest rates, an increase or decrease of 25 basis points (equally across all currencies) is applied to the closing balance of financial assets and liabilities referenced to a floating interest rate, after taking into account hedges with derivatives. To calculate the sensitivity of equity, an increase or decrease of 25 basis points (equally across all currencies) is applied to the fair value of the outstanding cash flow hedges at year-end, the change in fair value of which is recognised in equity.

The sensitivity of profit and equity to interest rate fluctuations is as follows:

Millions of euros	Increase/decrease in interest rate (basis points)	Impact on profit before tax Income/(Expense)	Direct impact on equity before tax	Impact on equity before tax
2021	25	(21)	—	(21)
	(25)	21	—	21



– Exchange rates:

To calculate the sensitivity of profit or loss to changes in exchange rates, a decrease or increase of 5% is applied mainly to balance sheet items denominated in non-euro currencies (net of economic hedges arranged). The sensitivity of equity to exchange rates is calculated by applying an appreciation or depreciation of 5% to the cash flow hedge derivatives whose variation in fair value is recognised in equity.

The sensitivity of profit or loss and equity to changes in the dollar/euro and pound sterling/euro exchange rates is as follows:

Millions of euros	Change	Impact on profit before tax Income/(Expense)	Direct impact on equity before tax	Impact on equity before tax
Dollar/euro exchange rate	Depreciation of 5%	4	—	4
	Appreciation of 5%	(4)	—	(4)
Pound/euro exchange rate	Depreciation of 5%	21	—	21
	Appreciation of 5%	(23)	—	(23)

6. USE OF ACCOUNTING ESTIMATES

IBERDROLA relied on certain assumptions and estimates in drawing up these Financial Statements. The main matters subject to estimate in the preparation of these Financial Statements are as follows:

– Provision for pensions and similar obligations:

At each year end, IBERDROLA estimates the current actuarial provision required to cover obligations relating to pensions plans and other similar commitments with its employees. In preparing these estimates, IBERDROLA receives advice from independent actuaries (Notes 4.7 and 4.8).

– Impairment of investments in group companies and associates:

As described in Note 4.3, IBERDROLA, in accordance with applicable accounting regulations, conducts an annual impairment test for those investments that require such a test. Specific tests are also conducted if indications of impairment are detected. These impairment tests require the estimate of the future business performance and the most appropriate discount rate in each case. IBERDROLA believes these estimates are appropriate and consistent with the current market situation.

– Provisions for contingencies and expenses:

As described in Note 4.11, IBERDROLA recognises provisions to cover present obligations arising from past events. For this purpose, it must assess the outcome of certain procedures of a legal or other nature that are ongoing at the date of authorisation for issue of these Financial Statements, based on the best information available.



Although these estimates were made on the basis of the best information available at the date of authorisation for issue of these Financial Statements, future events may require adjustments (upwards or downwards) in coming years. Any such changes would be applied prospectively, recognising the effects of the change in estimates for future periods.

7. INTANGIBLE ASSETS

Changes in the items comprising “Intangible assets” in 2021 and 2020 are as follows:

Millions of euros	Balance at 01.01.2020	Additions and allowances	Balance at 31.12.2020	Additions and allowances	Balance at 31.12.2021
Cost					
Computer software	712	46	758	62	820
Other intangible assets	30	—	30	—	30
	742	46	788	62	850
Accumulated amortisation					
Computer software	(607)	(47)	(654)	(52)	(706)
Other intangible assets	(26)	(3)	(29)	(1)	(30)
	(633)	(50)	(683)	(53)	(736)
Net carrying amount	109	(4)	105	9	114

In 2021 and 2020, personnel expenses of the employees who worked on IT projects were capitalised to the cost of those projects and amounted to EUR 3 million and EUR 2 million, respectively.

At 31 December 2021 and 2020 there were no intangible assets securing bank loans.

At 31 December 2021 and 2020 there were no amounts of intangible assets acquired from group companies and associates and nor were any intangible assets sold to group companies in 2021 or 2020.

IBERDROLA had no intangible assets whose rights may be exercised outside of Spain in 2021 and 2020.

Fully amortised intangible assets still in use amounted to EUR 201 million at 31 December 2021 (EUR 189 million at 31 December 2020).

At 31 December 2021 IBERDROLA had firm commitments to acquire intangible assets amounting to EUR 21 million (EUR 14 million at 31 December 2020). At 31 December 2021 and 2020 there were no firm commitments to sell intangible assets.

Expenses incurred in research and development activities amounted to EUR 36 million in 2021 (EUR 30 million in 2020).



8. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment in 2021 and 2020 are as follows:

Millions of euros	Balance at 01.01.2021	Additions and allowances	Transfers	Decreases, disposals or reversals	Balance at 31.12.2021
Cost					
Land	59	—	—	—	59
Buildings	193	1	—	—	194
Technical installations and other items	394	12	—	—	406
Total PP&E in use	646	13	—	—	659
Total cost	646	13	—	—	659
Accumulated depreciation					
Buildings	(32)	(4)	—	—	(36)
Technical installations and other items	(333)	(15)	—	—	(348)
Total accumulated depreciation of PP&E	(365)	(19)	—	—	(384)
Total net cost	281	(6)	—	—	275

Millions of euros	Balance at 01.01.2020	Additions and allowances	Transfers	Decreases, disposals or reversals	Balance at 31.12.2020
Cost					
Land	59	—	—	—	59
Buildings	138	3	52	—	193
Technical installations and other items	384	11	—	(1)	394
Total PP&E in use	581	14	52	(1)	646
Under construction and advances	48	4	(52)	—	—
Total cost	629	18	—	(1)	646
Accumulated depreciation					
Buildings	(29)	(3)	—	—	(32)
Technical installations and other items	(317)	(17)	—	1	(333)
Total accumulated depreciation of PP&E	(346)	(20)	—	1	(365)
Total net cost	283	(2)	—	—	281

In 2021 and 2020, IBERDROLA did not capitalise any finance expenses as an increase in the value of property, plant and equipment.

In 2021 and 2020, no amount was recognised for personnel expenses directly or indirectly related to property, plant and equipment in progress and capitalised in the cost of those assets.

In 2021 and 2020, no items of property, plant and equipment were acquired from group companies and associates, nor were any items of property, plant and equipment sold to group companies.

IBERDROLA owned no property, plant and equipment outside of Spain in 2021 or 2020.

At 31 December 2021 and 2020, the cost of fully depreciated property, plant and equipment in use was EUR 308 million and EUR 292 million, respectively, of which no amount related to buildings.



At 31 December 2021 and 2020, IBERDROLA had no property, plant and equipment securing bank loans.

At 31 December 2021 and 2020, property, plant and equipment included a total of EUR 85 million and EUR 86 million, respectively, as the carrying amount of IBERDROLA's land and corporate head offices in Madrid, which is held under a finance lease. The amount for which the asset was recognised initially amounted to EUR 104 million, matching the present value of the minimum future payments to be made on the initial recognition date.

Information related to the minimum payments on the finance lease at 31 December 2021 is as follows:

Millions of euros	2021
2022	4
2023	4
2024	4
2025	4
2026	4
2027 and beyond	53
Total	73

Millions of euros	2021
Financial cost	19
Present value of the payments	54
Total	73

The present value of these lease payments is recognised under “Non-current payables – Finance lease payables” and “Current payables – Finance lease payables” in the Statement of Financial Position.

At 31 December 2021, IBERDROLA had firm commitments to acquire property, plant and equipment amounting to EUR 2 million (EUR 1 million at 31 December 2020).

9. CATEGORIES AND MEASUREMENT OF FINANCIAL INSTRUMENTS

At 31 December 2021 and 2020 the carrying amount of each category of financial asset and liability, except for equity investments in group companies and associates, trade and other receivables, trade and other payables, and cash and cash equivalents, is as follows:

Millions of euros	Non-current financial assets					
	Loans and receivables		Derivatives		Total	
Category	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Loans and receivables (Note 2.1)	–	2,461	–	–	–	2,461
At amortised cost (Note 2.1)	130	–	–	–	130	–
Hedging derivatives	–	–	46	15	46	15
Total	130	2,461	46	15	176	2,476



Millions of euros	Current financial assets					
	Loans and receivables		Derivatives		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Category						
At fair value through profit or loss	–	–	–	1	–	1
Loans and receivables (Note 2.1)	–	546	–	–	–	546
At amortised cost (Note 2.1)	2,656	–	–	–	2,656	–
Hedging derivatives	–	–	15	39	15	39
Total	2,656	546	15	40	2,671	586

Millions of euros	Non-current financial liabilities							
	Bank borrowings		Derivatives ⁽¹⁾		Other		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Category								
At amortised cost (Note 2.1)	350	–	–	–	–	–	350	–
Debts and payables (Note 2.1)	–	260	–	–	9,790	7,212	9,790	7,472
Hedging derivatives	–	–	8	–	–	–	8	–
Total	350	260	8	–	9,790	7,212	10,148	5,346

Millions of euros	Current financial liabilities							
	Bank borrowings		Derivatives ⁽¹⁾		Other		Total	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Category								
Liabilities held for trading	–	–	–	1	–	–	–	1
At amortised cost (Note 2.1)	1,084	–	–	–	–	–	1,084	–
Debts and payables (Note 2.1)	–	1,167	–	–	6,425	6,408	6,408	7,575
Hedging derivatives	–	–	94	47	–	–	94	47
Total	1,084	1,167	94	48	6,425	6,408	7,603	7,623

(1) Includes derivatives with third parties and with group companies and associates.

The fair value of “Bank borrowings”, “Finance lease payables” and “Borrowings with group companies and associates” (except derivatives with group companies and associates) under current and non-current liabilities in the Statement of Financial Position at 31 December 2021 and 2020 amounted to EUR 18,160 million and EUR 15,650 million, respectively. Their carrying amount was EUR 17,635 million and EUR 15,022 million, respectively. The fair value of the remaining financial instruments does not differ significantly from their carrying amount.

Fair value is determined by discounting future cash flow payments using the applicable market rates at the valuation date.



10. INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

Details of “Non-current investments in group companies and associates – Equity instruments” in 2021 and 2020 are as follows:

Millions of euros	Balance at 01.01.2021	Additions and allowances	Decreases, disposals or reversals	Valuation of net investment hedges	Balance at 31.12.2021
Non-current					
Investments in group companies	44,399	2,727	(170)	142	47,098
Investments in associates	1	—	—	—	1
Impairment:					
On investments in group companies and associates	(1,142)	—	108	—	(1,034)
Total	43,258	2,727	(62)	142	46,065

Millions of euros	Balance at 01.01.2020	Additions and allowances	Decreases, disposals or reversals	Valuation of net investment hedges	Balance at 31.12.2020
Non-current					
Investments in group companies	44,445	—	—	(46)	44,399
Investments in associates	1	—	—	—	1
Impairment:					
On investments in group companies and associates	(1,040)	(102)	—	—	(1,142)
Total	43,406	(102)	—	(46)	43,258



The IBERDROLA Group companies and associates and data relating thereto at 31 December 2021 and 2020 are as follows:

Company	Address	Functional currency	Share price at 31.12.2021 in euros	Activity	Percentage of ownership at 31.12.2021	Millions of euros				Dividends received in 2021
						Carrying amount 2021	Capital	Reserves	Profit/(Loss)	
Iberdrola España, S.A.U. ⁽¹⁾	Bilbao	EUR	—	Holding company	100%	9,549	2,921	10,766	2,864	1,104
Iberdrola Participaciones, S.A.U. ⁽²⁾	Madrid	EUR	—	Holding company	100%	2,137	—	1,894	53	430
Iberdrola Energía, S.A.U. ⁽²⁾	Madrid	EUR	—	Holding company	100%	2,263	1,478	583	297	—
Hidrola I, S.L.U. ⁽²⁾	Madrid	EUR	—	Holding company	100%	1,173	395	2,230	353	297
Iberdrola Financiación, S.A.U.	Bilbao	EUR	—	Financial – Holding company	100%	1,127	2,000	(774)	(11)	—
SPW Investments Ltd. ⁽²⁾	United Kingdom	GBP	—	Holding company	100%	14,366	1	16,161	(53)	—
Avangrid, Inc. ⁽²⁾	United States	USD	44.13	Holding company	81.5%	13,969	3	19,942	380	425
Scottish Power Overseas Holdings, Ltd. ⁽²⁾	United Kingdom	GBP	—	Energy	100%	136	—	98	38	—
Iberdrola Finanzas, S.A.U.	Bilbao	EUR	—	Financial – Holding company	100%	100	100	27	—	—
Iberdrola International, B.V.	Netherlands	EUR	—	Financial – Holding company	100%	—	—	14	1	—
Iberdrola Inversiones 2010, S.A.U. ⁽²⁾	Bilbao	EUR	—	Holding company	100%	160	144	60	2	—
Iberdrola Energía Internacional, S.L. ⁽²⁾	Bilbao	EUR	—	Holding company	100%	958	—	1,484	10	—
Neoenergia, S.A. ⁽³⁾	Brazil	BRL	2.53	Holding company	2.91%	117	—	—	—	1
Other companies	—	—	—	—	—	10	—	—	—	—
Total						46,065				2,257



Company	Address	Functional currency	Share price at 31.12.2020 in euros	Activity	Percentage of ownership at 31.12.2020	Millions of euros				
						Carrying amount 2020	Capital	Reserves	Profit/(Loss)	Dividends received in 2020
Iberdrola España, S.A.U. ⁽¹⁾	Bilbao	EUR	–	Holding company	100%	9,549	2,921	10,472	1,577	1,103
Iberdrola Participaciones, S.A.U. ⁽²⁾	Madrid	EUR	–	Holding company	100%	2,307	–	2,058	430	–
Iberdrola Energía, S.A.U. ⁽²⁾	Madrid	EUR	–	Holding company	100%	2,263	1,478	302	208	–
HidroIa I, S.L.U. ⁽²⁾	Madrid	EUR	–	Holding company	100%	1,173	395	1,946	392	–
Iberdrola Financiación, S.A.U.	Bilbao	EUR	–	Financial – Holding company	100%	1,038	2,000	(703)	(170)	–
SPW Investments Ltd. ⁽²⁾	United Kingdom	GBP	–	Holding company	100%	14,265	1	13,287	498	940
Avangrid, Inc. ⁽²⁾	United States	USD	37.07	Holding company	81.5%	11,259	2	15,446	211	397
Scottish Power Overseas Holdings, Ltd. ⁽²⁾	United Kingdom	GBP	–	Energy	100%	116	–	108	3	–
Iberdrola Finanzas, S.A.U.	Bilbao	EUR	–	Financial – Holding company	100%	100	100	26	1	–
Iberdrola International, B.V.	Netherlands	EUR	–	Financial – Holding company	100%	–	–	2	11	8
Iberdrola Inversiones 2010, S.A.U. ⁽²⁾	Bilbao	EUR	–	Holding company	100%	160	144	28	32	–
Iberdrola Energía Internacional, S.L. ⁽²⁾	Bilbao	EUR	–	Holding company	100%	960	–	1,065	43	–
Neoenergía, S.A. ⁽³⁾	Brazil	BRL	2.74	Holding company	1.04%	57	–	–	–	1
Other companies	–	–	–	–	–	11	–	–	–	–
Total						43,258				2,449

⁽¹⁾ Group holding companies. The information regarding Capital, Reserves and Profit/(Loss) for financial years 2021 and 2020 is presented in consolidated form in accordance with standards for the preparation of consolidated accounts.

⁽²⁾ Group holding companies. The information regarding Capital, Reserves and Profit/(Loss) for financial years 2021 and 2020 is presented in consolidated form in accordance with International financial reporting standards, as adopted by the European Union (hereinafter, IFRS-EU).

⁽³⁾ Information for Neoenergía, S.A. in relation to Capital, Reserves and Profit/(Loss) for 2021 and 2020 is presented at Iberdrola Energía, S.A.U.



Below is a description of the activities performed by IBERDROLA Group through its main country subholding companies:

Company	Activity
Iberdrola España, S.A.U.	Conventional generation, renewable generation, retail supply of electricity and gas, and electricity distribution in Spain.
Iberdrola Participaciones, S.A.U.	Real property and holding of interests in companies.
Iberdrola Energía, S.A.U.	Conventional generation, renewable generation, retail supply of electricity and gas, and transmission and distribution of electricity in Brazil.
Hidrola I, S.L.U.	Conventional generation, renewable generation, and retail supply of electricity in Mexico.
Scottish Power Investments, Ltd.	Renewable generation, retail supply of electricity and gas and transmission and distribution of electricity in the United Kingdom.
Avangrid, Inc.	Renewable generation, transmission and distribution of electricity and gas in the United States.
Iberdrola Energía Internacional, S.L.	Renewable generation and retail supply of electricity and gas, mainly in Australia, Poland, Japan, Germany, France, Portugal, Greece, Italy and other countries.

Significant transactions in 2021 and 2020

The most noteworthy transactions in 2021 and 2020 in relation to the holdings owned by IBERDROLA are as follows:

- In 2021 Avangrid, Inc. carried out a capital increase in the amount of EUR 3,302 million, which was subscribed by IBERDROLA according to its percentage of ownership in exchange for EUR 2,667 million (Note 23.1).
- In the last quarter of 2021, IBERDROLA acquired additional shares in NEOENERGIA worth EUR 60 million, thus raising its stake from 1.04% to 2.91%.
- On 26 November 2021, Iberdrola Participaciones S.A. approved a dividend distribution of EUR 600 million against profit for 2020, of which EUR 430 million was recognised under “Revenue” and EUR 170 million was deducted from the carrying amount of the investment as these results were generated prior to the company’s contribution.
- IBERDROLA’s separate Financial Statements include a valuation adjustment for the investment held in Iberdrola Financiación, S.A.U. in the amount of EUR 875 million and EUR 963 million at 31 December 2021 and 2020, respectively. The reversal carried out in 2021 amounted to EUR 88 million (provision of EUR 102 million posted in 2020).

Valuation adjustments have been calculated as the difference between the carrying amount and fair value of all assets and liabilities of the investment. The business activity of this subsidiary, which consists of securing long-term funds to finance the operations of the IBERDROLA Group’s companies, was positively impacted by the trend in long-term interest rates and exchange rates in respect of the euro compared to the previous year; this circumstance continues to negatively affect the fair value of this company.

- In 2021 the Company reversed the impairment loss on Scottish Power Overseas Holdings, Ltd. for the difference between its carrying amount and recoverable amount. This reversal of the valuation adjustment amounted to EUR 20 million.



Analysis of impairment

The balance of group companies and associates at 31 December 2021 included EUR 13,969 million and EUR 117 million pertaining to IBERDROLA's direct stakes in AVANGRID and NEOENERGIA, respectively. In addition, IBERDROLA holds an indirect stake in NEOENERGIA through its subsidiary Iberdrola Energía, S.A., with the cost of this stake amounting to EUR 2,617 million. The stock market value at year-end of IBERDROLA's stakes in AVANGRID and NEOENERGIA was EUR 11,132 million and EUR 1,626 million, respectively.

At 31 December 2021, the directors ran an impairment test for those investments in which they considered there were indications of impairment because the market price was lower than the carrying amount of the investment (AVANGRID and NEOENERGIA, a subsidiary of Iberdrola Energía, S.A.U.).

The key assumptions for these tests were as follows, according to the businesses grouped in those interests:

- a) Assumptions used in the liberalised business:
 - *Facility output*: based on operating hours consistent with those of previous years and in line with expected future trends.
 - *Electricity and gas sale prices*: the selling prices used are those agreed upon in the signed purchase agreements. For unsold production, futures prices of the markets in which IBERDROLA operates have been used.
 - *Electricity and gas retail supply margin*: growth forecasts for the number of customers and unit margins based on the knowledge of the markets in which the IBERDROLA Group operates and the company's relative position in each of them.
 - *Investment*: the Company has relied on the best information available on the cost of the investments to be made over the coming years.
 - *Operating and maintenance costs*: based on the costs set out in the existing maintenance contracts for the facilities. All other operating costs have been projected in a manner consistent with expected growth.
- b) Assumptions used in the regulated business:
 - *Regulated remuneration*: the Company has used the remuneration approved for the years in which that remuneration was available, while for subsequent years it has used the appropriate legal mechanisms for updating this remuneration. This process has been applied in a manner consistent with the estimated costs of the corresponding cash-generating units.
 - *Investment*: investment plans have been considered that are consistent with the expected growth in demand at each concession and with the estimated future remuneration used.
 - *Operating and maintenance costs*: the best available estimate of likely changes in these costs has been considered, on the understanding that they are to be consistent with the remuneration assumed to be received in each year.



c) Assumptions used in the renewable energy business:

- *Facility output*: the operating hours of each wind farm are consistent with their historical output. For this purpose, it is important to take into account the long-term predictability of wind power output, which is also subject to regulatory mechanisms so that the wind farms are able to generate power for as long as prevailing weather and grid conditions allow for this.
- *Electricity sales prices*: the prices stipulated in the purchase and sales agreements signed have been used, where applicable. For unsold production, futures prices of the markets in which the IBERDROLA Group operates have been used. Existing support mechanisms have been taken into consideration in all cases.
- *Investment*: the Company has relied on the best information available on the facilities under development and expected to be commissioned in the coming years, based on the price stipulated in the wind turbine purchase agreements signed with different suppliers, as well as the technical and financial capacity of the IBERDROLA Group to successfully complete the projects in question.
- *Operating and maintenance costs*: the prices set in land leases and maintenance agreements for the useful life of the facilities were used.

d) Forecast period and nominal growth rate:

The table below summarises the forecast period of future cash flows and the nominal growth rate (g) used to extrapolate these projections beyond the forecast period for the different groups of cash-generating units.

	2021		2020	
	No. of years	g	No. of years	g
Transmission and distribution of electricity and gas in the United States	10	1.0 %	10	1.0 %
Renewable energies in the United States	Useful life	—	Useful life	—
Generation and retail supply of electricity in Brazil	Useful life / 10	- / 3.0 %	Useful life / 10	- / 3.5 %
Transmission and distribution of electricity in Brazil	Life of concession	—	Life of concession	—
Renewable energies in Brazil	Useful life	—	Useful life	—

e) Discount rate:

The discount rate calculation methodology used by IBERDROLA was to take the time value of money or risk-free rate of each market and add to that the specific risks of the asset or risk premium of the asset or business in question.

The risk-free rate is effectively that of the 10-year Treasury bond in the market in question, which must have sufficient depth and solvency. For countries whose economies or currencies have insufficient depth and solvency, country risk and currency risk are estimated and the total of all these components is assimilated to the cost of funding without the risk spread of the asset.

The asset risk premium is a product of the specific risks of the asset. Estimated betas are used to calculate the risk premium, based on comparable peer companies engaged in the same core activity.



The following pre-tax discount rates are used in the impairment tests for the different groups of cash-generating units:

	Rates – 2021	Rates – 2020
Transmission and distribution of electricity and gas in the United States	4.68 %	4.52 %
Renewable energies in the United States, onshore/offshore	5.35% - 6.38 %	5.48% / 7.30 %
Generation and retail supply of electricity in Brazil	12.40 %	11.58 %
Transmission and distribution of electricity in Brazil	10.15 %	9.32 %
Renewable energies in Brazil	11.73 %	10.88 %

After analysing the recoverability of its assets, IBERDROLA has concluded that no write-down was necessary at 31 December 2021.

11. EQUITY

11.1. REGISTERED CAPITAL

Changes in 2021 and 2020 in the different items of share capital of IBERDROLA are as follows:

	Date of filing at the Mercantile Registry	% Capital	Number of shares	Nominal amount	Euros
Balance at 01.01.2020			6,362,072,000	0.75	4,771,554,000
Scrip issue	04 February 2020	1.439 %	91,520,000	0.75	68,640,000
Reduction in share capital	02 July 2020	3.310 %	(213,592,000)	0.75	(160,194,000)
Scrip issue	30 July 2020	1.764 %	110,061,000	0.75	82,545,750
Balance at 31.12.2020			6,350,061,000	0.75	4,762,545,750
Scrip issue	05 February 2021	1.072 %	68,095,000	0.75	51,071,250
Reduction in share capital	06 July 2021	2.776 %	(178,156,000)	0.75	(133,617,000)
Scrip issue	30 July 2021	2.021 %	126,088,000	0.75	94,566,000
Balance at 31.12.2021			6,366,088,000	0.75	4,774,566,000

The scrip issues carried out in 2021 and 2020 correspond to the different runs of the *Iberdrola Retribución Flexible* optional dividend system approved by the shareholders at the General Shareholders' Meeting. Accordingly, shareholders were free to choose between:

- receiving their remuneration in newly-issued scrip shares;
- transferring some or all of their free-of-charge allocation rights on the market; or
- receiving their remuneration in cash, through delivery of an amount on account of the dividend for the year.

The same characteristics have been maintained for the second application of the *Iberdrola Retribución Flexible* optional dividend system which IBERDROLA's Board of Directors will submit to the shareholders at the General Shareholders' Meeting for approval (Note 3).



Additionally, on 1 July 2020 and 1 July 2021, it was resolved to reduce capital through the redemption of treasury shares. These resolutions were approved by the shareholders at their General Meetings held on 2 April 2020 and 18 June 2021, respectively.

There were no changes to IBERDROLA's share capital beyond those resulting from the transactions described above. There are no claims on IBERDROLA's share capital other than those established by the Spanish Companies Act.

IBERDROLA's shares are listed for trading on the Spanish electronic trading system (Mercado Continuo Español), and included in the IBEX-35 and European Eurostoxx-50 index.

Major shareholders

Since IBERDROLA's shares are represented by the book-entry system, the exact stakes held by its shareholders are not known. The table below summarises major direct and indirect shareholdings in the share capital of IBERDROLA at 31 December 2021 and 2020, as well as the holdings of financial instruments disclosed by the owners of these stakes in compliance with Royal Decree 1362/2007 of 19 October. This information is based on filings by the owners of the shares in the official registers of the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores, or CNMV) or the company's financial statements or press releases, and it is presented in the 2021 IBERDROLA Group's Annual Corporate Governance Report.

In accordance with Section 23.1 of Royal Decree 1362/2007 of 19 October, enacting the Securities Market Act 24/1988 of 28 July, in relation to transparency requirements regarding information on issuers whose securities are admitted to trading on an official secondary market or other regulated market in the European Union, a shareholder who holds at least 3% of the voting rights is considered to hold a significant holding.

The direct or indirect holders of voting rights exceeding 3% of share capital as at 31 December 2021 and 2020 are as follows:

Holder	% of voting rights 2021			% of voting rights 2020		
	Direct	Indirect	Total	Direct	Indirect	Total
Qatar Investment Authority	—	8.689	8.689	—	8.711	8.711
Norges Bank	3.356	—	3.356	3.600	—	3.600
Blackrock, Inc.	—	5.161	5.161	—	5.160	5.160

At 31 December 2021, the direct and indirect stakes in the capital of IBERDROLA held by the members of the Board of Directors are as follows:



Directors	Number of shares			%
	Direct	Indirect	Total	
José Ignacio Sánchez Galán	8,813,981	4,045,541	12,859,522	0.203
Juan Manuel González Serna	100,000	500,000	600,000	0.009
Iñigo Víctor De Oriol Ibarra	1,234,358	—	1,234,358	0.019
María Helena Antolín Raybaud	3,783	—	3,783	0.000
Manuel Moreu Munaiz	27,606	27,606	55,212	0.001
Xabier Sagredo Ormaza	—	—	—	—
Francisco Martínez Córcoles	745,286	—	745,286	0.012
Anthony L. Gardner	—	—	—	—
Sara de la Rica Goiricelaya	18,531	—	18,531	—
Nicola Mary Brewer	1,000	—	1,000	—
Regina Helena Jorge Nunes	—	—	—	—
Ángel Jesús Acebes Paniagua	7,427	—	7,427	—
María Ángeles Alcalá Díaz	—	—	—	—
Isabel García Tejerina	46,232	—	46,232	0.001
Total	10,998,204	4,573,147	15,571,351	0.245

Direct and indirect shareholdings of members of the Board of Directors at the date of authorisation for issue of these Financial Statements are set out in section A.3. of the Annual Corporate Governance Report.

Powers delegated by the General Shareholders' Meeting

At the General Shareholders' Meeting held on 2 April 2020, the shareholders resolved under items twenty-two and twenty-three on the agenda to delegate powers to the Board of Directors, with express authority to sub-delegate, for a period of five years, to:

- increase share capital in the terms and to the limits stipulated in Article 297.1 b) of the Spanish Companies Act (*Ley de Sociedades de Capital*), with authorisation to exclude preferential subscription rights, and
- issue debentures and bonds exchangeable for shares in the Company or in any other company and/or convertible into shares of the Company, as well as warrants (options to subscribe for new shares in the Company or to acquire existing shares in the Company or in any other company), subject to a maximum limit of EUR 5,000 million. This authorisation includes further powers to: (i) set the terms and conditions and forms of the conversion, exchange or exercise; (ii) increase capital to the extent necessary to meet the conversion requests; and (iii) exclude limited pre-emptive rights in relation to the issues.

Both authorisations have an aggregate limit equal to a maximum nominal amount of 20% of the share capital.

11.2. SHARE PREMIUM

The share premium amounted to EUR 14,215 million at 31 December 2021. The Consolidated Text of the Spanish Companies Act expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use.



11.3. LEGAL RESERVE

Under the Consolidated Text of the Spanish Companies Act, 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve, amounting to EUR 969 million, can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased amount of share capital. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

11.4. REDEEMED CAPITAL RESERVE

In 2021 a capital reduction was effected through the redemption of treasury shares, thus lowering share capital by EUR 133 million and voluntary reserves and retained earnings by EUR 1,898 million, further to the resolution approved by shareholders at their General Shareholders' Meeting of 18 June 2021.

In accordance with Section 335.c of the Consolidated Text of the Spanish Companies Act, IBERDROLA has a restricted "Redeemed capital reserve" of EUR 1,342 million, equivalent to the par value of the reduced share capital.

11.5. TREASURY SHARES

The Company buys and sells treasury shares in accordance with the prevailing law and the resolutions of the General Shareholders' Meeting. Such transactions include purchases and sales of IBERDROLA shares and derivatives thereon.

At 31 December 2021 and 2020 the balances of the various instruments are as follows:

	31.12.2021		31.12.2020	
	No. of shares	Millions of euros	No. of shares	Millions of euros
Treasury shares	82,915,340	823	85,222,122	888
Total return swaps	13,547,820	102	8,209,638	53
Accumulators (exercised shares)	45,085,032	465	11,306,168	107
Accumulators (potential shares)	47,036,224	462	47,016,022	478
Put options	—	—	42,996,817	451
Total	188,584,416	1,852	194,750,767	1,977

**a) Treasury shares**

Changes in the Company's treasury shares were as follows in 2021 and 2020:

	No. of shares	Millions of euros
Balance at 01.01.2020	24,376,375	218
Acquisitions	286,880,467	2,708
Reduction in share capital	(213,592,000)	(1,918)
Disposals ⁽¹⁾	(13,136,001)	(120)
<i>Iberdrola Retribución Flexible</i> ⁽²⁾	693,281	—
Balance at 31.12.2020	85,222,122	888
Acquisitions	180,342,768	1,896
Reduction in share capital	(178,156,000)	(1,898)
Disposals ⁽¹⁾	(6,008,280)	(63)
<i>Iberdrola Retribución Flexible</i> ⁽²⁾	1,514,730	—
Balance at 31.12.2021	82,915,340	823

⁽¹⁾Includes shares delivered to employees

⁽²⁾Shares received

Gains/(losses) obtained by IBERDROLA in 2021 and 2020 on treasury share transactions showed a gain of EUR 7 million and EUR 5 million, respectively, recognised under “Reserves – Other reserves” in the Statement of Financial Position.

b) Physically settled derivatives

IBERDROLA has recognised these transactions directly in equity under the heading “Treasury shares and own equity investments” and a liability for the obligation to buy back the shares under the “Current payables – Bank borrowings” heading in the Statement of Financial Position.

– Total return swaps

IBERDROLA has swaps on treasury shares with the following features: during the life of the contract IBERDROLA will pay the financial entity 3-month Euribor plus a spread on the underlying notional and will receive the corresponding dividends with respect to the shares paid out to the financial entity. On the expiration date IBERDROLA will buy the shares at the strike price set out in the contract.

The characteristics of these contracts at 31 December 2021 and 2020 are as follows:

2021	No. of shares	Strike price	Expiry date	Interest rate	Millions of euros
<i>Total return swap</i>	4,470,234	6.195	28/07/2022	Euribor 3M + 0.29%	28
<i>Total return swap</i>	2,077,920	9.721	30/08/2022	Euribor 3M + 0.30%	20
<i>Total return swap</i>	6,999,666	7.756	17/11/2022	Euribor 3M + 0.47%	54
Total	13,547,820				102

2020	No. of shares	Strike price	Expiry date	Interest rate	Millions of euros
<i>Total return swap</i>	8,209,638	6.440	28/07/2021	Euribor 3M + 0.24%	53
Total	8,209,638				53



– Accumulators

IBERDROLA holds several purchase accumulators on treasury shares. These accumulators are obligations to buy in the future, with a notional amount of zero on the start date. The number of shares to be accumulated depends on the spot price quoted on a range of observation dates throughout the life of the options – in this case, on a daily basis. A strike price is set, and a knockout level above which the structured product is “knocked out” and shares are no longer accumulated.

The accumulation mechanism is as follows:

- when the spot price is below the strike price, two units of the underlying instrument are accumulated;
- when the spot price is between the strike price and the knockout level, only one unit of the underlying instrument is accumulated; and
- when the spot price is above the knockout level, no shares are accumulated.

The characteristics of these contracts at 31 December 2021 and 2020 are as follows:

2021	No. of shares	Average price in the period	Expiry date	Millions of euros
Exercised	45,085,032	10.3230	16/02/2022 to 18/08/2022	465
Potential maximum ⁽¹⁾	47,036,224	9.8289	16/02/2022 to 18/08/2022	462

2020	No. of shares	Average price in the period	Expiry date	Millions of euros
Exercised	11,306,168	9.4737	15/03/2021 to 15/11/2021	107
Potential maximum ⁽¹⁾	47,016,022	10.1760	15/03/2021 to 15/11/2021	478

(1) Maximum number of additional shares that could accumulate under the mechanism described above through to the maturity of the structures (assuming that the spot price over the remaining life of the structure remains below the strike price at all times).

– Sold put with physical settlement

IBERDROLA has sold put options on own shares that grant the counterparty the option to sell such shares at the expiration date and at the strike price indicated in the contract.

At 31 December 2021 there were no outstanding contracts, while the characteristics of these contracts at 31 December 2020 were as follows:

2020	No. of shares	Average price in the period	Expiry date	Millions of euros ⁽¹⁾
Put options sold	42,996,817	10.8460	29/01/2021 to 31/03/2021	451

(1) The amount is presented net of the premiums collected of EUR 15 million.



11.6. VALUATION ADJUSTMENTS

Changes in this reserve in 2021 and 2020 due to impairment of derivatives classified as cash flow hedges are as follows:

Millions of euros	01.01.2021	Application of Royal Decree 1/2021 (Note 2.1)	Change in fair value	Amounts allocated to income	31.12.2021
Cash flow hedges					
Interest rate swaps	(14)	—	—	8	(6)
Hedging costs	—	24	(12)	4	16
Tax effect	3	(6)	3	(3)	(3)
Total	(11)	18	(9)	9	7

Millions of euros	01.01.2020	Change in fair value	Amounts allocated to income	31.12.2020
Cash flow hedges				
Interest rate swaps	(25)	(1)	12	(14)
Tax effect	6	—	(3)	3
Total	(19)	(1)	9	(11)

The breakdown for the years in which this reserve is expected to affect the Income Statement is as follows:

Millions of euros	2022	2023	2024	2025	2026 and beyond	Total
Cash flow hedges						
Interest rate swaps	(2)	(2)	(2)	—	—	(6)
Hedging costs	1	—	—	—	15	16
Tax effect	—	—	—	—	(3)	(3)
Total	(1)	(2)	(2)	—	12	7

12. LONG-TERM COMPENSATION PLANS

Share-based long-term compensation plans in the settlement period

The main features of the plans are as follows:

Long-term compensation programme	Settled in shares	Measurement period	Settlement period	Level of achievement
IBERDROLA 2017-2019	IBERDROLA	2017-2019	2020-2022	100% ⁽¹⁾

(1) Level of achievement and settlement approved by the Board of Directors of IBERDROLA on the recommendation of the Remuneration Committee.



Details of the shares awarded under these plans are as follows:

No. of shares	Iberdrola 2017-2019
Balance at 01.01.2020	6,841,600
Cancellations	(30,000)
Deliveries (1) (2)	(2,377,168)
Other	363,334
Balance at 31.12.2020	4,797,766
Cancellations	(6,668)
Deliveries (1) (2)	(2,403,833)
Other	39,999
Balance at 31.12.2021	2,427,264

(1) These shares include those delivered to executive directors (Note 20) and to senior management (Note 22).

(2) Taxes charged on shares delivered to senior management: EUR 4 million and EUR 4.6 million relating to the first and second delivery of the 2017-2019 Strategic Bonus, respectively.

Share-based long-term compensation plans in the measurement period

The following long-term share-based remuneration plan was approved by shareholders at the General Shareholders' Meeting in 2020:

Long-term compensation programme	Settled in shares	Measurement period	Settlement period	Expected shares ⁽¹⁾
IBERDROLA 2020-2022	IBERDROLA	2020-2022	2023-2025	6,788,906 ⁽²⁾

(1) Foreseeable number of shares to be delivered, depending on the level of success in attaining the related targets.

(2) Includes shares for directors.

The benchmarks used for the overall assessment of the Company's performance during the measurement period are as follows:

Achievement targets related to	Type of target	Relative weight
Consolidated net profit	Performance	30%
Total shareholder return	Market	20%
Financial strength	Performance	20%
Sustainable Development Goals	Performance	30%

Changes in "Other reserves" in the Statement of Financial Position for the plans described above are as follows:

Millions of euros	Iberdrola 2017-2019	Iberdrola 2020-2022	Total
Balance at 01.01.2020	30	—	30
Charges	12	4	16
Price effect charged to equity	8	—	8
Payments in shares	(25)	—	(25)
Balance at 31.12.2020	25	4	29
Charges	6	22	28
Price effect charged to equity	13	—	13
Payments in shares	(30)	—	(30)
Balance at 31.12.2021	14	26	40



13. PROVISIONS

13.1. NON-CURRENT EMPLOYEE BENEFITS

The breakdown of this item in the Statement of Financial Position at 31 December 2021 and 2020 is as follows:

Millions of euros	2021	2020
Remuneration stipulated in Article 48.1 of the By-Laws (Note 18.2)	5	25
Remuneration stipulated in Article 48.4 of the By-Laws (Note 18.2)	24	18
Defined benefit plans	168	161
Non-current benefits	7	7
Restructuring plans	16	13
Total	220	224

Each year IBERDROLA estimates the amount of the obligation and the payments for pensions and similar benefits that it will have to meet in the coming year, based on an independent actuarial report. These are recognised as current liabilities in the Statement of Financial Position.

a) Defined benefit plans and other non-current employee benefits

The IBERDROLA Group's main commitments to providing defined benefits for its employees, in addition to their Social Security benefits, are as follows:

- Employees subject to IBERDROLA's Collective Labour Agreement who retired before 9 October 1996 are covered by a defined benefit retirement pension scheme, the actuarial value of which was fully externalised at 31 December 2021 and 2020.

IBERDROLA has no liability of any kind for this segment of employees and has no claim on any potential excess generated in the assets of this plan above and beyond the defined benefits.

- Also, in relation to serving employees and employees who have retired after 1996 and are subject to IBERDROLA's Collective Bargaining Agreement and members/beneficiaries of the IBERDROLA Pension Plan, risk benefits (e.g. widowhood, permanent disability or orphanhood) which guarantee a defined benefit at the time the event giving rise to such benefits occurs, are instrumented through a multi-year insurance policy. The guaranteed benefit consists of the difference between the present actuarial value of the above mentioned defined benefit at the time of the event and the member's vested rights at the time of the event, if the latter were lower. The premiums on the insurance policy for 2021 and 2020 are recognised under "Personnel expenses" in the Income Statement and amounted to EUR 1 million and EUR 1 million, respectively (Note 18.2).
- IBERDROLA also maintains a provision to cover certain commitments with its employees beyond those indicated above. These further commitments are covered by internal funds linked to social benefits, consisting mainly of free electricity supply, with an annual consumption limit, for retired employees and other long-term benefits, primarily consisting of a long-service bonus for active employees at 10, 20 and 30 years of service.



Changes in provisions for the commitments described in the preceding section in 2021 and 2020 are as follows:

Millions of euros	Electricity tariff	Length of service bonus
Balance at 01.01.2020	192	6
Other costs recognised under "Personnel expenses" (Note 18.2)	(25)	—
Finance expense (Note 18.4)	2	—
Actuarial gains and losses:		
To profit (Note 18.2)	—	1
Payments and other	(8)	—
Balance at 31.12.2020	161	7
Finance expense (Note 18.4)	1	—
Actuarial gains and losses:		
To reserves	19	—
Payments and other	(13)	—
Balance at 31.12.2021	168	7

The main assumptions applied in the actuarial reports that determined the provisions needed to meet the aforementioned commitments at 31 December 2021 and 2020 are as follows:

	2021			
	Discount rate	Wage increase	Price kWh (euros)	Mortality tables
Electricity tariff	0.86 %	—	2022 :0.33021 2023: 0.17508 2024: 0.14088 2025: 0.13511 2026: 0.12860 [...]	PER 2020 – first segment
Length of service bonus	0.50 %	1.00 %	—	PER 2020 – first segment
	2020			
	Discount rate	Wage increase	Price kWh (euros)	Mortality tables
Electricity tariff	0.37 %	—	2020: 0.10959 2021 :0.09152 2022: 0.10936 2023: 0.10914 2024: 0.10845 [...]	PER 2020 – first segment
Length of service bonus	0.06 %	1.00 %	—	PER 2020 – first segment

b) Defined contribution plans

Serving employees of IBERDROLA and employees who retired after 9 October 1996, who are beneficiaries under the IBERDROLA pension plan with joint sponsors, are covered by an occupational, defined-contribution retirement pension system independent of the Social Security system.



In accordance with this system and IBERDROLA's Collective Bargaining Agreement, the periodic contribution to be made is calculated as a percentage of the annual pensionable salary of each employee, except for employees joining the Company after 9 October 1996, who are subject from 01 January 2021 to a contributory system where the Company pays 67.5% and the employee 32.5% (from 01 January 2020, 65% paid by the Company and 35% by the employee). For those hired after 20 July 2015 the Company pays 1/3 and the employee 2/3 of the total contribution, until the date on which the employee joins the Base Salary Rating (BSR), at which point the same criterion as for employees joining after 9 October 1996 will apply. The Company finances these contributions for all of its current employees.

IBERDROLA's contributions in 2021 and 2020 were EUR 3 million and EUR 2 million, respectively, and are recognised under "Personnel expenses" in the Income Statement (Note 18.2).

c) Restructuring plans

Given the interest shown by some employees in requesting early retirement, IBERDROLA has offered them mutually agreed termination of the employment relationship through individual contract termination agreements. At 31 December 2021 and 2020, the existing provisions in this regard pertain to the following restructuring plans:

Millions of euros	31.12.2021		31.12.2020	
	Provisions	No. of contracts	Provisions	No. of contracts
2012 restructuring plan	—	—	—	1
2014 restructuring plan	1	14	3	28
2016 restructuring plan	—	1	—	1
2017 restructuring plan	3	12	4	12
2019 restructuring plan	1	3	1	3
2020 restructuring plan	4	10	5	10
2021 restructuring plan	7	14	—	—
Total	16	54	13	55

The discount to present value of the provisions is charged to the "Finance expense" heading in the Income Statement (Note 18.4).

Changes in provisions for the commitments described in the preceding section in 2021 and 2020 are as follows:

Millions of euros	2021	2020
Opening balance	13	12
Charges (Note 18.2)	7	5
Payments and other	(4)	(4)
Closing balance	16	13

The main assumptions applied in the actuarial reports drawn up to determine the provisions needed to meet the aforementioned commitments under the restructuring plans at 31 December 2021 and 2020 are as follows:

	2021		2020	
	Discount rate	CPI	Discount rate	CPI
Collective redundancy procedures and other restructuring plans	0%-0.06%	0.7% - 1%	0 %	0.7% - 1%



13.2. OTHER CURRENT AND NON-CURRENT PROVISIONS

The details and breakdown of these headings in the Statement of Financial Position in 2021 and 2020 are as follows:

Millions of euros	2021	2020
Opening balance	260	234
Charges	3	31
Charge for discount to present value (Note 18.4)	10	9
Provision surplus	(15)	(12)
Applications, payments and other	—	(2)
Closing balance	258	260



14. BANK BORROWINGS AND FINANCE LEASE PAYABLES

The detail of bank borrowings outstanding at 31 December 2021 and 2020, taking into account foreign exchange hedges, and the corresponding repayment schedules are as follows:

Millions of euros	Balance at 31.12.2021	Current				Non-current		Total non-current
		2022	2023	2024	2025	2026	2027 and beyond	
Euros								
Finance lease	54	2	2	2	2	2	44	52
Loans and drawdowns of credit facilities	134	11	—	—	—	—	123	123
Derivatives on the company's own shares with a physical settlement (Note 11)	1,030	1,030	—	—	—	—	—	—
	1,218	1,043	2	2	2	2	167	175
Pounds sterling								
Loans and drawdowns of credit facilities	215	40	40	40	40	40	15	175
Unpaid accrued interest	1	1	—	—	—	—	—	—
	216	41	40	40	40	40	15	175
Total	1,434	1,084	42	42	42	42	182	350

Millions of euros	Balance at 31.12.2020	Current				Non-current		Total non-current
		2021	2022	2023	2024	2025	2026 and beyond	
Euros								
Finance lease	56	2	2	2	2	2	46	54
Loans and drawdowns of credit facilities	30	23	6	—	—	—	1	7
Derivatives on the company's own shares with a physical settlement (Note 11)	1,104	1,104	—	—	—	—	—	—
	1,190	1,129	8	2	2	2	47	61
Pounds sterling								
Loans and drawdowns of credit facilities	236	37	37	37	37	37	51	199
Unpaid accrued interest	1	1	—	—	—	—	—	—
	277	38	37	37	37	37	51	199
Total	1,427	1,167	45	39	39	39	98	260



The breakdown by maturity of future unaccrued interest payment commitments (excluding finance leases, see Note 8) at 31 December 2021 and 2020, after factoring in the effect of exchange rate and interest rate hedges and considering that the prevailing interest rates and exchange rates remain constant through to maturity, is as follows:

Millions of	2022	2023	2024	2025	2026	2027 and beyond	Total
Pounds sterling	5	4	3	2	1	—	15
Total	5	4	3	2	1	—	15

Millions of	2021	2022	2023	2024	2025	2026 and beyond	Total
Pounds sterling	6	4	3	2	2	1	18
Total	6	4	3	2	2	1	18

The loans outstanding at 31 December 2021 and 2020 accrue a weighted average annual interest rate of 4.16% and 3.52%, respectively, once adjusted for the corresponding hedges.

The most significant financial transactions carried out by IBERDROLA in 2021 are as follows:

Transaction	2021		Maturity
	Millions of euros	Currency	
Main new financing transactions			
Syndicated loan	127	EUR	Dec 2027

The most significant financing transactions carried out by IBERDROLA in 2020 are as follows:

Transaction	2020		Maturity
	Millions of euros	Currency	
Main transactions for extending existing financing			
Sustainable syndicated credit facility ⁽¹⁾	2,979	EUR	Feb 2025
Sustainable syndicated credit facility ⁽¹⁾	2,321	EUR	Feb 2025

⁽¹⁾ Extension of the two novated syndicated credit facilities for 1 additional year in January 2018 in the amount of EUR 5,300 million. Does not entail any cash inflow.

At 31 December 2021 and 2020, IBERDROLA was fully current on all its financial debt payments. None of the amounts in the table above matured prior to 31 December 2021. The terms of the IBERDROLA's borrowings include the usual covenants applied to such agreements.

In relation to covenants regarding credit ratings, IBERDROLA's funding from the European Investment Bank (EIB) amounted to EUR 215 million and EUR 237 million at 31 December 2021 and 2020, respectively. This funding may need to be renegotiated in the event of a significant rating downgrade, possibly to bring the price in line with other financing arranged with the EIB that does not include such covenants. Moreover, these transactions, together with the existing syndicated loan of EUR 127 million, are likely to be declared due and payable in advance or require additional guarantees in the event of a change of control, unless the EIB or lender in question does not consider the change to be detrimental to its interests.



At the date of authorisation for issue of these Financial Statements, IBERDROLA was not in breach of its financial obligations or any kind of obligation that could trigger early repayment of its financial commitments. IBERDROLA considers that the covenant clauses will have no effect on the classification of borrowings as current or non-current in the Statement of Financial Position.

15. DERIVATIVES

The breakdown of balances at 31 December 2021 and 2020, including valuation of derivative financial instruments at those dates, is as follows:

Millions of euros	2021				2020			
	Current		Non-current		Current		Non-current	
With non-Group third parties	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
INTEREST RATE HEDGES:								
Cash flow hedges								
Interest rate swaps	—	—	—	—	—	(1)	—	—
Fair value hedges								
Interest rate swaps	—	—	—	—	—	1	—	—
EXCHANGE RATE HEDGES:								
Cash flow hedges								
Currency forwards	—	(5)	—	—	6	(1)	—	—
Fair value hedges								
Currency swaps	7	5	19	—	22	(40)	6	—
Hedging of net investment in foreign operations								
Currency swaps	—	(3)	—	(8)	(1)	—	4	—
Currency forwards	8	(91)	—	—	12	(6)	—	—
NON-HEDGING DERIVATIVES:								
Exchange rate derivatives								
Currency forwards	—	—	—	—	1	—	—	—
Total	15	(94)	19	(8)	40	(47)	10	—

Millions of euros	2021				2020			
	Current		Non-current		Current		Non-current	
With group companies and associates	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
EXCHANGE RATE HEDGES:								
Cash flow hedges								
Currency forwards	—	—	27	—	—	—	5	—
NON-HEDGING DERIVATIVES:								
Exchange rate derivatives								
Currency forwards	—	—	—	—	—	(1)	—	—
Total	—	—	27	—	—	(1)	5	—



The maturity schedule of the notional underlyings of derivative instruments arranged by IBERDROLA and outstanding at 31 December 2021 is as follows:

Millions of euros	2022	2023	2024	2025	2026 and beyond	Total
Cash flow hedges						
Currency forwards	341	—	—	—	263	604
Fair value hedges						
Currency swaps	—	19	368	297	211	895
Hedging of net investment in foreign operations						
Currency swaps	—	167	—	—	—	167
Currency forwards	1,302	—	—	—	—	1,302
NON-HEDGING DERIVATIVES:						
Exchange rate derivatives						
Currency forwards	18	—	—	—	—	18
Total	1,661	186	368	297	474	2,986

The information presented in the table above includes notional amounts of derivative financial instruments arranged in absolute terms (without offsetting assets and liabilities or purchase and sale positions) and, therefore, which do not involve a risk assumed by IBERDROLA since this amount only records the basis on which the calculations to settle the derivative are made.

The nominal value of the liabilities for which foreign exchange hedges have been arranged is as follows:

Millions of	2021		
	US dollars	Japanese yen	Pounds sterling
Type of hedge			
Fair value	600	3,000	325
Cash flows	364	—	—
2020			
Type of hedge			
Fair value	600	3,000	325
Cash flows	364	—	—

IBERDROLA also engages in interest rate hedging transactions as part of its risk management policy. The purpose of these transactions is to offset the effect that fluctuations in interest rates could have on future cash flows from loans and borrowings with floating rates of interest and on the fair value of fixed-rate loans and borrowings.

At 31 December 2021, there were no financial liabilities subject to interest rate hedging. The nominal value of the financial liabilities for which interest rate hedges had been arranged at 31 December 2020 is as follows:

Millions of	2020	
	Euros	Pounds sterling
Type of hedge		
Fair value	75	—
Cash flows	—	75



16. INFORMATION ON AVERAGE PAYMENT PERIOD TO SUPPLIERS. THIRD ADDITIONAL PROVISION – “REPORTING REQUIREMENT” OF LAW 15/2010 OF 5 JULY

The required information for 2021 and 2020 breaks down as follows:

Number of days	2021	2020
Average payment period to suppliers	27	25
Paid transactions ratio	27	25
Outstanding transactions ratio	24	22

Millions of euros	2021	2020
Total payments made	294	405
Total payments due	20	32

The information in the table above has been prepared in accordance with Law 15/2010 of 5 July, amending Law 3/2004 of 29 December, establishing measures to combat late payments in commercial operations and in accordance with the Resolution of 29 January 2016 of the Instituto de Contabilidad y Auditoría de Cuentas (Spanish Institute of Accounting and Auditing) on the information to be included in the Notes to the Financial Statements in relation to late payments to suppliers in commercial transactions. This information has been drawn up on the basis of the following specifications:

- Ratio of paid operations: amount in days of the ratio between the sum of the products of each of the transactions paid by the number of payment days, and the total amount of payments made during the year.
- Ratio of outstanding payment operations: amount in days of the ratio between the sum of the products of each of the outstanding payment transactions by the number of unpaid days, and the total amount of outstanding payments.
- Suppliers: trade payables generated from debts with suppliers of goods or services included in the current liabilities heading of the Statement of Financial Position.
- Property, plant and equipment and finance lease suppliers are excluded from this information.
- Taxes, levies, indemnifications and certain other headings are likewise excluded from this information since they do not qualify as trade transactions.



17. TAXES

17.1. PUBLIC ENTITIES

The breakdown of taxes receivable and payable in the Statement of Financial Position at 31 December 2021 and 2020 is as follows:

Millions of euros	2021	2020
Taxes receivable		
VAT	81	29
Income tax	123	248
Withholdings	1	1
Total	205	278
Taxes payable		
VAT	41	41
Withholdings	4	4
Other taxes	1	1
Social Security	1	1
Total	47	47

17.2. INCOME TAX

IBERDROLA is the parent company of two tax consolidation groups in Spain: group 2/86 for the whole of Spain and group 02415BSC in Biscay. Up until 2019, IBERDROLA was part of the former, but became part of the latter in 2020 due to legislative changes affecting the Company at individual level.

Group 2/86 consists of 86 companies, while group 02415BSC consists of 24 companies.

In previous years, IBERDROLA was involved in a series of corporate restructuring arrangements under the special tax neutrality regime provided for in Chapter VII, Title VII of Spanish Income Tax Law 27/2014 of 27 November. The disclosures required under this law are provided in the Notes to the Financial Statements for the years when those transactions were carried out.

The reconciliation between the Company's accounting profit and its taxable profit for income tax purposes in 2021 and 2020 is as follows:

Millions of euros	2021	
	Income Statement Increases/(decreases)	Income and expense recognised directly in equity Increases/(decreases)
Income and expenses for the year	2,160	(15)
Income tax	(72)	(4)
Permanent differences	(2,721)	—
Temporary differences:		
Arising in the year	(274)	31
Arising in prior years	(133)	(12)
Taxable base (tax result)	(590)	—



Millions of euros	2020	
	Income Statement Increases/(decreases)	Income and expense recognised directly in equity Increases/(decreases)
Income and expenses for the year	2,292	7
Income tax	(39)	4
Permanent differences	(2,444)	—
Temporary differences:		
Arising in the year	(286)	1
Arising in prior years	(64)	(12)
Taxable base (tax result)	(541)	—

Permanent differences are mainly due to dividends received (Note 18.1), to changes in valuation adjustments on holdings in group companies and associates for which no deferred tax asset was recognised (Note 10), and to other expenses that do not qualify as tax-deductible.

The most relevant temporary difference derives from the tax treatment of goodwill arising on the acquisition of equity securities and the tax effect of expenses recognised for pension commitments, and the cost of restructuring plans and other provisions.

17.3. INCOME TAX EXPENSE

The breakdown between current and deferred income tax is as follows:

Millions of euros	2021	
	Income Statement	Income and expense recognised directly in equity
Effective tax (Income)/Expense		
Current	(116)	—
Deferred	44	(4)
Total	(72)	(4)

Millions of euros	2020	
	Income Statement	Income and expense recognised directly in equity
Effective tax (Income)/Expense		
Current	(80)	—
Deferred	41	4
Total	(39)	4



Income tax expense for 2021 and 2020 is as follows:

Millions of euros	2021	2020
Accounting profit before tax	2,088	2,253
Permanent differences	(2,271)	(2,444)
Adjusted accounting profit	(183)	(191)
Gross tax	(44)	(46)
Deductions	(2)	(1)
Corrections to deductions		
Tax rate correction		
Adjustment of deferred tax assets and liabilities ^(a)	(23)	(17)
Other ^(b)	(3)	25
Income tax expense/(income)	(72)	(39)

(a) In 2021 and 2020, this largely relates to the adjustment in the tax rate applicable to the Company and other revaluations of assets and liabilities.

(b) In 2021 and 2020 this item related mainly to income tax paid abroad and the posting of provisions.

17.4. DEFERRED TAXES

Changes in “Deferred tax assets” and “Deferred tax liabilities” in 2021 and 2020 are as follows:

Millions of euros	01.01.2021	Credit (charge) to the Income Statement	Credit (charge) to “Other reserves”	Credit (charge) to “Valuation adjustments”	31.12.2021
Deferred tax assets:					
Cash flow hedges	15	(2)	—	4	17
Pensions and similar commitments	64	2	4	—	70
Tax credits for losses and deductions	216	4	—	—	220
Other deferred tax assets	26	9	—	—	35
Total	321	13	4	4	342

Millions of euros	01.01.2020	Credit (charge) to the Income Statement	Credit (charge) to “Other reserves”	Credit (charge) to “Valuation adjustments”	31.12.2020
Deferred tax assets:					
Cash flow hedges	18	—	—	(3)	15
Pensions and similar commitments	75	(10)	(1)	—	64
Tax credits for losses and deductions	222	(6)	—	—	216
Other deferred tax assets	32	(6)	—	—	26
Total	347	(22)	(1)	(3)	321



Millions of euros	01.01.2021	Charge (credit) to the Income Statement	Charge (credit) to "Valuation adjustments"	31.12.2021
Deferred tax liabilities:				
Cash flow hedges	12	—	4	16
Accelerated depreciation	7	—	—	7
Deferred amounts associated with financial goodwill (art.12.5)	720	70	—	790
Other deferred tax liabilities	13	(13)	—	—
Total	752	57	4	813

Millions of euros	01.01.2020	Charge (credit) to the Income Statement	Charge (credit) to "Valuation adjustments"	31.12.2020
Deferred tax liabilities:				
Cash flow hedges	12	—	—	12
Accelerated depreciation	7	—	—	7
Deferred amounts associated with financial goodwill (art.12.5)	675	45	—	720
Other deferred tax liabilities	39	(26)	—	13
Total	733	19	—	752

The breakdown of taxable income generated by the tax group by business in 2021 and 2020 is as follows:

Millions of euros	31.12.2021 (*)	31.12.2020 (*)
Liberalised business – Spain	(129)	(109)
Renewables business – Spain	(1)	13
Networks business – Spain	878	887
Other businesses	28	(1)
Corporation	(602)	(580)
Total	174	210

Income tax credits and debits at the end of 2021 and 2020 by business between the companies belonging to the tax group are as follows:

Millions of euros	31.12.2021 (*)	31.12.2020 (*)
Liberalised business – Spain	(25)	(16)
Renewables business – Spain	(3)	2
Networks business – Spain	158	101
Other businesses	3	—
Corporation	(126)	(103)
Total	7	(16)

(*) Amounts of taxable income, credits and debits pertaining to the tax group in which Iberdrola, S.A. is included.



17.5. ADMINISTRATIVE PROCEEDINGS

Among its principles, IBERDROLA seeks to build stronger ties with the tax authorities, based on respect for the law, loyalty, trust, professionalism, collaboration, reciprocation and good faith, notwithstanding any legitimate disputes that may arise due to the interpretation of tax rules. Therefore, when such disputes do arise, IBERDROLA cooperates fully with the authorities, in accordance with the principles of transparency and mutual trust.

All IBERDROLA actions have been analysed by its internal and external advisors, both for this year and for preceding years, and they have determined that these actions have been carried out in accordance with the law and are based on the reasonable interpretation of tax law. The occurrence of contingent liabilities has also been subject to analysis. IBERDROLA generally makes provision for tax litigation when the risk of it being detrimental to its interests is probable, and makes no provision when the risk is possible or remote.

In June 2020, the Spanish tax authority (AEAT) instigated a partial tax inspection (for the years 2012 to 2014) and a general tax inspection (for the years 2015 to 2017) for the main corporate taxes applicable to IBERDROLA group companies in the consolidated tax group for Spain (no. 2/86).

In 2021, various tax assessments were signed in agreement relating to transfer pricing matters for the period 2012 to 2014, while other assessments were signed in protest relating to other income tax matters (the same as those discussed in the general audit procedure for the years 2008-2011). No significant impacts on equity for the IBERDROLA Group have arisen from these events.

On 17 December 2021, a tax claim was filed with the Central Tax Appeals Board against the settlement agreement derived from the assessments signed in protest discussed in the previous paragraph.

The verification procedures initiated in June 2020 are still ongoing and the remaining settlement proposals and assessments resulting from these procedures are expected to take place in 2022.

The IBERDROLA Group's directors and their tax consultants consider that the current inspection process will not give rise to further material liabilities for the IBERDROLA Group beyond those already recognised at 31 December 2021.

17.6. TAX LITIGATION

In June 2020 IBERDROLA was notified of the rulings of the Central Tax Appeals Board (TEAC) on the appeals lodged in relation to tax assessments disputed in 2016, arising from the general tax inspection of the consolidated tax group in Spain (no. 2/86) for the period 2008 to 2011.

As regards VAT, the TEAC found in favour of IBERDROLA on all points (thus rendering the inspector's assessments and settlements null and void), but ruled against the Company in its income tax decision.

On 7 July 2020, Iberdrola filed a contentious-administrative appeal against these income tax rulings with the National High Court (Audiencia Nacional). All claims and arguments were submitted in due course during the year and the case is now awaiting a decision by the court.



The main adjustments included in the settlement agreements resulting from contested tax assessments related to the quantification of goodwill, subject to tax amortisation and depreciation, for the acquisition of SCOTTISH POWER, the elimination of the exemption applicable to SCOTTISH POWER's dividends received, as the Tax Authority considers that this exemption is incompatible with valuation adjustments for net investment hedges, differences in tax consolidation criteria and the possible existence of circumstances established in Section 15.1 of Spain's General Tax Law in a debtor-swap operation in a number of debt issues.

Additionally, in December 2020 IBERDROLA was notified of the rulings of the Central Tax Appeals Board (TEAC) on the appeals lodged in relation to the income tax assessments signed in protest arising from the limited tax inspection of the period 2012 to 2014. The dispute with the public administration focuses on the applicability of the temporary imputation standard established in numerous Supreme Court decisions regarding income received by the Group, resulting from payments made based on rules contrary to law.

This ruling of December 2020 partially upholds IBERDROLA's arguments, accepting its criteria insofar as the taxes declared to be unconstitutional are concerned. On 25 January 2021, IBERDROLA appealed the remaining disputed assessments to the National High Court.

The IBERDROLA Group's directors and their tax consultants consider that the current inspection process will not give rise to further material liabilities for the IBERDROLA Group beyond those already recognised at 31 December 2021.

17.7. OTHER

Update of the financial goodwill situation (Section 12.5 of the Consolidated Text of the Corporate Income Tax Act (Texto Refundido de la Ley del Impuesto sobre Sociedades) (TRLIS)):

In previous years, the Spanish authorities applied the aid and grants reimbursement procedure envisioned in the General Tax Act, thus recovering from the IBERDROLA Group, in accordance with Section 12.5 of the TRLIS, the sum of EUR 665 million (EUR 576 million in principal and EUR 89 million in late payment interest) in the years 2002 to 2015. IBERDROLA settled the required amount by (i) offsetting part of it against the EUR 363 million received under the 2016 income tax rebate; and (ii) paying EUR 302 million in February 2018. All the foregoing by virtue of Decision Three of the European Commission.

In May 2021, IBERDROLA was notified of a settlement agreement under the aid and grants reimbursement procedure for the years 2016 to 2018 in the amount of EUR 13 million, which the Company paid on 2 July 2021.

These amounts, in the proportion corresponding to Iberdrola S.A., are shown under "Non-current trade and other receivables" in the Statement of Financial Position.

At any rate, their recoverability is considered to be provisional, subject to the final outcome of the appeals submitted against the three European Commission decisions.

Moreover, the application of the incentive provided in Section 12.5 of the TRLIS generated a taxable temporary difference, resulting in the subsequent recognition of the deferred tax liability recognised. Therefore, if the outcome is ultimately contrary to the Company's interests (something we consider unlikely based on the information currently available), the impact on equity would be substantially mitigated.



18. INCOME AND EXPENSES

18.1. REVENUE

The breakdown of this heading in the Income Statements for 2021 and 2020, by category and geographical market, is as follows:

2021	European Union			Total
	Spain	Euro zone	Other countries	
Millions of euros				
Finance income from equity investments in group companies and associates (Notes 10 and 23.2)	1,831	—	426	2,257
Finance income from marketable securities and other financial instruments of group companies and associates (Note 23.2)	13	11	9	33
Income from services rendered to group companies (Note 23.2)	272	4	108	384
Total	2,116	15	543	2,674

2020	European Union			Total
	Spain	Euro zone	Other countries	
Millions of euros				
Income from market adjustment of gas contracts	—	—	3	3
Finance income from equity investments in group companies and associates (Notes 10 and 23.2)	1,103	8	1,338	2,449
Finance income from marketable securities and other financial instruments of group companies and associates (Note 23.2)	9	10	2	21
Income from services rendered to group companies (Note 23.2)	265	11	98	374
Total	1,377	29	1,441	2,847

18.2. EMPLOYEE BENEFITS EXPENSE

This heading in the Income Statements for 2021 and 2020 breaks down as follows:

Millions of euros	2021	2020
Social security payable by the company	12	12
Charge to provisions for pensions and similar commitments (Note 13.1)	8	(18)
Defined contributions to the outsourced pension plan (Note 13.1)	3	2
Remuneration stipulated in Art. 48.1 of the By-Laws	17	17
Remuneration stipulated in Art. 48.4 of the By-Laws	12	5
Other employee expenses	4	(1)
Total	56	17



18.3. OPERATING LEASES

The “External services” heading of the Income Statement includes operating lease payments totalling EUR 9 million and EUR 7 million for 2021 and 2020, respectively. Total non-discounted future minimum payments under non-cancellable operating leases outstanding at 31 December 2021 and 2020 are as follows:

Millions of euros	2021
2022	9
2023	7
2024	7
2025	3
2026	2
2027 and beyond	—
Total	28

Millions of euros	2020
2021	7
2022	6
2023	5
2024	5
2025	3
2026 and beyond	2
Total	28

18.4. FINANCE EXPENSES

This account breaks down as follows in 2021 and 2020:

Millions of euros	2021	2020
Finance expenses related to liabilities at amortised cost:		
With third parties	11	11
With group companies and associates	208	135
Increase/(decrease) in finance expenses from fair value interest rate hedges	(17)	(27)
Increase/(decrease) in finance expenses from cash flow interest rate hedges	1	3
Increase/(decrease) in finance expenses from discontinued hedges	3	4
Other finance expenses	6	6
Discount to present value of provisions (Note 13)	11	11
Total	223	143



18.5. FINANCE INCOME

This account breaks down as follows in 2021 and 2020:

Millions of euros	2021	2020
Other finance income	25	23
Total	25	23

18.6. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

This account breaks down as follows in 2021 and 2020:

Millions of euros	2021	2020
Fair value measurement of:		
Non-hedging derivatives	(38)	(21)
Hedging cost of:		
Hedging of net investment in foreign operations	(13)	(12)
Cash flow hedges	6	22
Total income/(expense)	(45)	(11)

18.7. EXCHANGE DIFFERENCES

The breakdown of exchange gains/losses in the Income Statements for 2021 and 2020 is as follows:

Millions of euros	2021	2020
Transactions settled during the year	59	8
Transactions pending settlement at year end	(69)	6
Total income/(expense)	(10)	14

18.8. EMPLOYEES

The average number of employees at IBERDROLA at the end of 2021 and 2020, by professional category, is as follows:

Millions of euros	2021	2020
Honours graduates	655	615
Graduates	73	55
Other	73	74
Total	801	744



The distribution of IBERDROLA's workforce by gender at the end of 2021 and 2020, by category, is as follows:

	2021			2020		
	Women	Men	Total	Women	Men	Total
Honours graduates	282	404	686	269	364	633
Graduates	40	50	90	28	32	60
Other	58	13	71	61	18	79
Total	380	467	847	358	414	772

In 2021, there were three IBERDROLA employees with a disability greater than or equal to 33 per cent (two employees in 2020).

Legislative Royal Decree 1/2013 of 29 November, enacting the Revised Text of the General Law on the Rights of Persons with Disabilities and their Social Inclusion, requires public and private companies employing 50 or more workers to have jobs reserved for people with disabilities for at least 2% of their workforce.

As IBERDROLA does not meet this reserve, it has opted for a number of alternative measures established by the Royal Decree 364/2005 of 8 April which, on an exceptional basis, governs alternative compliance with the reserve in favour of employees with disabilities. The alternative measures that may be applied by corporations to meet the obligation of an employment reserve in favour of employees with disabilities are as follows:

- A corporate or civil contract with a special employment centre, or with a freelancer with a disability, to supply raw materials, machinery, equipment goods or any other kind of merchandise required for normal operation of the business of companies taking up this measure.
- Donations and sponsorships, always in a monetary format, to enable employment insertion activities to be carried out and jobs to be created for people with disabilities, when the organisation benefiting from these actions is a foundation or a public-interest association the purpose of which is, among other aspects, professional training, employment insertion or the creation of jobs for people with disabilities.
- Creation of a work enclave, after signing the corresponding contract with a special employment centre, in accordance with Royal Decree 290/2004 of 20 February, regulating work enclaves as a means of fostering employment opportunities for people with disabilities.

To fulfil the reserve requirement, IBERDROLA signed contracts with special employment centres to provide services that are ancillary to its usual business in 2021 and 2020.



19. GUARANTEE COMMITMENTS WITH THIRD PARTIES

IBERDROLA and its subsidiaries are required to provide the bank or corporate guarantees associated with the normal management of the company's activities.

IBERDROLA extends guarantees to secure the obligations of subsidiaries of sub-holding company Iberdrola Energía Internacional vis-à-vis third parties, thus covering some of their commitments relating to the construction and commissioning of their offshore renewable facilities. It likewise extends guarantees to subsidiaries of sub-holding company Iberdrola España to secure their obligations under gas purchase and sale agreements in the Generation business.

IBERDROLA also guarantees the following group companies: Iberdrola Finanzas, S.A.U., Iberdrola Finance Ireland, DAC, Iberdrola International, B.V. and Iberdrola Financiación, S.A.U., for their various bonds issues and commercial paper, and bank financing and the arrangement of derivatives (ISDA), and for I-DE Redes Eléctricas Inteligentes, S.A.U. (formerly, Iberdrola Distribución Eléctrica, S.A.U.) for financing from the European Investment Bank (EIB).

IBERDROLA considers that any additional liability beyond those provisioned at 31 December 2021 and 2020 and arising from the guarantees posted at 31 December 2021 and 2020 would not be significant.

In 2016, IBERDROLA disputed tax assessments in relation to income tax for the years 2008 to 2011 and value added tax for 2010 and 2011. IBERDROLA filed the corresponding appeals with the Central Tax Appeals Board, seeking the automatic suspension of the enforcement of the tax settlements by furnishing the necessary bank guarantees. In June 2020, IBERDROLA was notified of the court's resolutions dismissing its claims. Contentious-administrative appeals were subsequently lodged against those decisions before the National High Court (filed on 7 July 2020) and suspension of enforcement of the settlements and the guarantees posted for that purpose remain in effect for the time being (Note 17.6).

20. REMUNERATION OF THE BOARD OF DIRECTORS

20.1. BY-LAW MANDATED REMUNERATION IN 2021

Article 48 of IBERDROLA's By-Laws provides that the Company shall annually allocate as a by-law mandated expense an amount equal to a maximum of 2% of the profit obtained by the consolidated Group during the financial year.

As proposed by the Remuneration Committee, the Board of Directors agreed that the By-law mandated allocation for 2021 would be EUR 17 million; the same amount as in the previous six financial years.

These amounts have been recognised under "Personnel expenses" in the Income Statement (Note 18.2).

**a) Fixed remuneration and attendance bonuses**

The fixed annual remuneration and attendance bonuses payable to Board and committee members in their capacity as such in 2021 and 2020, are as follows:

Millions of euros	Fixed remuneration	Attendance bonus
	2021	2020
Chairman of the Board	0.567	0.004
Vice-Chair of the Board and committee chairs	0.440	0.004
Committee members	0.253	0.002
Board members	0.165	0.002

b) Remuneration of the executive directors for their executive duties

The Board of Directors resolved to maintain the fixed remuneration for the chairman & CEO in 2021 at EUR 2.25 million. It also decided to maintain the existing cap on variable annual remuneration at EUR 3.25 million, which will be paid, if approved, in 2022.

The Board of Directors approved fixed annual remuneration of EUR 1.0 million in 2021 for the Business CEO (who relinquished executive functions on 1 November 2021) and set a cap of EUR 1.0 million on the variable annual remuneration thereof, to be paid, if approved, in 2022.

c) Remuneration paid and accrued by the directors of the Company

The fixed remuneration individually accrued by the members of the Board of Directors was as follows in 2021 and 2020, respectively:



Millions of euros	Salaries	Fixed remuneration ⁽¹⁾	Remuneration for membership of committees ⁽¹⁾	Attendance bonus	Short-term variable remuneration ⁽³⁾	Indemnities	Other remuneration	Total 2021	Total 2020
Chairman of the Board									
José Ignacio Sánchez Galán	2.250	0.567	—	0.092	3.250	—	0.107	6.266	6.242
Vice-Chair of the Board and committee chairs									
Juan Manuel González Serna	—	0.165	0.275	0.110	—	—	0.002	0.552	0.536
María Helena Antolín Raybaud	—	0.165	0.275	0.056	—	—	0.006	0.502	0.496
Xabier Sagredo Ormaza	—	0.165	0.275	0.064	—	—	0.004	0.508	0.505
Sara de la Rica Goiricelaya	—	0.165	0.275	0.056	—	—	0.003	0.499	0.385
Anthony L. Gardner	—	0.165	0.122	0.042	—	—	0.002	0.331	0.288
Committee members									
Iñigo Víctor de Oriol Ibarra	—	0.165	0.088	0.040	—	—	0.004	0.297	0.314
Manuel Moreu Munaiz	—	0.165	0.088	0.070	—	—	0.003	0.326	0.325
Francisco Martínez Córcoles ⁽²⁾	0.833	0.165	—	0.016	1.000	—	0.160	2.174	2.216
Nicola Mary Brewer	—	0.165	0.088	0.036	—	—	0.001	0.290	0.212
Regina Helena Jorge Nunes	—	0.165	0.088	0.040	—	—	0.001	0.294	0.216
Angel Jesús Acebes Paniagua	—	0.165	0.088	0.066	—	—	0.004	0.323	0.061
María Ángeles Alcalá Díaz	—	0.030	0.016	0.006	—	—	—	0.052	—
Isabel García Tejerina	—	0.007	0.004	—	—	—	—	0.011	—
Outgoing directors									
Inés Macho Stadler	—	—	—	—	—	—	—	—	0.141
Georgina Kessel Martínez	—	—	—	—	—	—	—	—	0.238
Denise Mary Holt	—	—	—	—	—	—	—	—	0.078
Samantha Barber	—	0.135	0.072	0.058	—	—	0.001	0.266	0.446
José Walfredo Fernández ⁽⁴⁾	—	0.099	0.052	0.030	—	0.374	0.001	0.556	0.294
Total	3.083	2.653	1.806	0.782	4.250	0.374	0.299	13.247	12.993

⁽¹⁾ Remuneration accrued in 2021 in relation to the time effectively spent in office. This amount will not be paid until the approval of 2021 Annual Financial Statements at the 2022 General Shareholders' Meeting.

⁽²⁾ Only member of the Board of Directors who has no responsibilities on one or more of the five committees attached to the Board. Relinquished executive duties with effect from 1 November 2021.

⁽³⁾ Amount relates to variable remuneration received in 2021, based on achievement of targets and personal performance in 2020.

⁽⁴⁾ In accordance with section 4.3 of the Policy on director remuneration with regard to the non-competition undertaking of the external non-proprietary directors, José Walfredo Fernández, who stepped down as a director on 6 August 2021, received a severance payment equivalent to 90% of the fixed amount he would have received for the remaining term of his mandate.

d) Civil liability insurance

The premium paid to cover directors' civil liability insurance amounted to EUR 0.402 million and EUR 0.319 million in 2021 and 2020, respectively.

e) Others

The expenses of the Board of Directors in relation to external services and other items amounted to EUR 2.984 million and EUR 4.514 million in 2021 and 2020, respectively.

In 2021 and 2020, a total of EUR 0.194 million and EUR 0.116 million, respectively, was received in premium refunds due to the annual adjustment of the pension insurance policies relating to former members of the Board of Directors.

The unused amount of the by-law mandated allocation for 2021 is EUR 0.560 million.

20.2. REMUNERATION THROUGH THE DELIVERY OF COMPANY SHARES

At the General Shareholders' Meeting held on 31 March 2017 the shareholders approved the *2017-2019 Strategic Bonus* as a long-term incentive pegged to the Company's performance in relation to certain key parameters (Note 12).

The second of these three annual payments was made during the first half of 2021. The chairman & CEO received a total of 633,333 IBERDROLA shares and the Business CEO (who relinquished his executive duties on 1 November 2021) was awarded a total of 100,000 shares.

20.3. REMUNERATION FOR MEMBERSHIP OF OTHER BOARDS

Executive directors who held the position of director in 2021 and 2020 at companies that are not wholly owned, directly or indirectly, by IBERDROLA received the following remuneration:

Millions of euros	2021	2020
Remuneration received by the chairman	0.325	0.307
Remuneration received by María Ángeles Alcalá Díaz ⁽¹⁾	0.067	0.020
Remuneration received by Isabel García Tejerina ⁽¹⁾	0.114	0.022

⁽¹⁾ Amounts received until her appointment as a member of the Board of Directors of Iberdrola S.A.



20.4. LAW 11/2018: NON-FINANCIAL AND DIVERSITY INFORMATION

The average remuneration received by directors (excluding remuneration in the form of Company shares) in 2021 and 2020 was as follows, by type and by gender:

Millions of euros	2021		2020	
	Men	Women	Men	Women
Executive	4.759	—	4.383	—
Independent and other external	0.432	0.416	0.375	0.381

20.5. SEVERANCE CLAUSES

Severance clauses for executive directors are described in paragraph C.1.39 of the Annual Corporate Governance Report included in the Management Report.

21. INFORMATION REGARDING COMPLIANCE WITH SECTION 229 OF THE SPANISH COMPANIES ACT

As established in Section 229 of the Spanish Companies Act (*Ley de Sociedades de Capital*), as introduced by Royal Decree-Law 1/2010 of 2 July 2010, and in Law 31/2014 of 3 December 2014, amending the Spanish Companies Act to improve corporate governance, set forth below are the conflicts of interest that the directors encountered during the period.

The chairman & CEO and the Business CEO (who relinquished executive duties with effect from 1 November 2021) were absent during the deliberation of all resolutions related to their system of remuneration and assurance.

Mr Sagredo Ormaza left the room during deliberations on the resolutions involving Kutxabank, S.A., specifically as regards the hiring of Norbolsa Sociedad de Valores, S.A. as agent in relation to the *Iberdrola Retribución Flexible* optional dividend system.

22. REMUNERATION OF SENIOR MANAGEMENT

Senior managers are those who answer directly to the Company's Board of Directors, its chairman & CEO, and in all cases to the director of the Internal Audit area, as well as any other officer directed by the Board of Directors.

At 31 December 2021, senior management comprised 11 members.

Personnel expenses relating to senior management amounted to EUR 14.2 million and EUR 13.8 million in 2021 and 2020, respectively, and are recognised under "Personnel expenses" in the Income Statement for those years.



The remuneration and other benefits received by senior management in 2021 and 2020, respectively, are as follows:

Millions of euros	2021	2020 (*)
Remuneration in cash	5.2	4.9
Variable remuneration	5.9	6.0
Remuneration in kind and payments on account not charged	0.4	0.4
Social Security	0.2	0.2
Employer's contribution to pension plan / employee benefits insurance	1.2	1.1
Risk policy (death and permanent disability)	1.3	1.2
Total	14.2	13.8

(*) For ease of comparison, information has been included for members classified as such at 31 December 2021 (two additional members).

In 2021 and 2020, senior officers who sat on the boards of companies that were not wholly owned by IBERDROLA, whether directly or indirectly, received EUR 0.7 million and EUR 0.8 million, respectively, from those companies.

In the first half of 2021 and 2020, the second and first of the three annual payments under the *2017-2019 Strategic Bonus* was made (Note 12) once the level of achievement of the relevant targets had been calculated. As a result, members of senior management received a total of 568,328 shares in each year.

The General Shareholders' Meeting of 2 April 2020 agreed upon the *2020-2022 Strategic Bonus* (see Note 12), pegged to the Company's performance over the 2020-2022 horizon. The bonus is aimed at 300 beneficiaries and seeks to reward financial, business and sustainable development performance. An expected 1,680,800 shares will be delivered over three years to senior managers, depending on their success in attaining the targets.

Severance clauses for members of senior management and other executive officers are described in paragraph C.1.39 of the Annual Corporate Governance Report, included within the Management Report.

In 2021 and 2020, there were no further transactions concluded with senior officers.

23. RELATED-PARTY TRANSACTIONS AND BALANCES

The following transactions take place within the normal course of business and are carried out under normal market conditions.



23.1. IBERDROLA BALANCES WITH GROUP COMPANIES AND ASSOCIATES

a) Financial balances with group companies and associates

Loans to group companies and associates

Current and non-current “Loans to group companies and associates” in the Statement of Financial Position at 31 December 2021 and 2020 are as follows:

Millions of euros	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Avangrid, Inc (USD)	—	—	—	—	2,447	2,447
ScottishPower Renewable Energy, Ltd.	11	—	11	22	11	33
Iberdrola Financiación, S.A.U.	—	127	127	—	—	—
Unpaid accrued interest	11	—	11	7	—	7
Total	22	127	149	29	2,458	2,487

On 14 December 2020, IBERDROLA granted Avangrid Inc. a loan for a nominal amount of USD 3 billion. This loan was capitalised on 18 May 2021 when the Company took part in the capital increase carried out by Avangrid Inc. (Note 10).

The above transactions are denominated in euros, except where a different currency is specified.

The average interest rate on these loans was 0.69% and 0.46% at 31 December 2021 and 2020, respectively.

The maturity schedule for the loans is as follows:

Year	Millions of euros
2022	22
2026 and beyond	127
Total	149

Other financial assets/liabilities with group companies and associates

Current and non-current “Other financial assets” and “Other financial liabilities” with group companies and associates in the Statement of Financial Position at 31 December 2021 and 2020 are as follows:

Millions of euros	2021		2020	
	Receivables	Payables	Receivables	Payables
Non-current				
Iberdrola Finance Ireland, DAC	—	72	—	90
Iberdrola Financiación, S.A.U.	—	6,216	—	5,464
Iberdrola Finanzas, S.A.U.	—	607	—	794
Iberdrola International, B.V.	—	2,893	—	861
Total	—	9,788	—	7,209



Millions of euros	2021		2020	
	Receivables	Payables	Receivables	Payables
Current				
Ailes Marine, S.A.S.	25	—	61	—
Avangrid, Inc.	123	—	91	—
Energyworks Cartagena, S.L.	—	36	3	—
Energyworks Vit-Vall, S.L.	—	34	—	—
Eolicas de Euskadi, S.A.U.	—	62	—	50
Hidro I, S.L.U.	—	391	—	482
I_DE Redes Eléctricas Inteligentes, S.A.U.	186	—	—	154
Iberdrola Clientes Internacional, S.L.	—	124	—	15
Iberdrola Clientes Portugal, Unipessoal Ltda	37	—	2	—
Iberdrola Clientes, S.A.U.	—	31	—	20
Iberdrola Comercialización de Último Recurso, S.A.U.	34	—	60	—
Iberdrola Energía Internacional, S.L.	1,105	—	—	3
Iberdrola Energía Italia, S.R.L.	33	—	19	—
Iberdrola Energía S.A.U.	—	42	—	1
Iberdrola Energie France, S.A.S.	54	—	7	—
Iberdrola España, S.A.U.	—	1,097	—	401
Iberdrola Finance Ireland, DAC	—	32	—	24
Iberdrola Financiación, S.A.U.	—	237	—	1,302
Iberdrola Finanzas, S.A.U.	—	364	—	200
Iberdrola Generación España, S.A.U.	742	—	—	938
Iberdrola Generación Nuclear, S.A.U.	—	1,282	—	282
Iberdrola Generación S.A.U.	—	300	—	61
Iberdrola Inmobiliaria, S.A.	—	149	—	113
Iberdrola International, B.V.	—	33	—	10
Iberdrola Inversiones 2010, S.A.U.	—	55	—	48
Iberdrola Participaciones, S.A.U.	—	410	—	978
Iberdrola Re, S.A.	—	149	—	139
Iberdrola Renovables Castilla y León, S.A.	—	85	—	80
Iberdrola Renovables Castilla-La Mancha, S.A.U.	—	59	18	—
Iberdrola Renovables Energía, S.A.U.	—	258	—	248
Iberdrola Renovables Galicia, S.A.U.	—	84	—	17
Iberdrola Renovables Internacional, S.L.	—	105	—	30
Iberdrola Renovables Offshore Deutschland, GmbH.	—	244	—	247
Inversiones Financieras Perseo, S.L.	—	61	—	49
Parep 1 PTY, Ltd.	31	—	—	46
Proyecto Solar Francisco Pizarro, S.L.	—	54	3	—
Scottish Power, Ltd. (GBP)	77	—	148	—
Other	156	498	101	371
Accrued interest	—	137	—	77
Total	2,603	6,413	515	6,386

Except for the loans granted by Iberdrola International B.V., Iberdrola Finance Ireland, DAC., Iberdrola Financiación, S.A.U. and Iberdrola Finanzas, S.A.U. mentioned below, most of the balances arose under normal transactions related to IBERDROLA's own cash management process. These balances have no set maturity and they accrue interest pegged to market rates that is paid quarterly or annually.



At 31 December 2021 and 2020, Iberdrola International B.V., Iberdrola Finance Ireland DAC., Iberdrola Financiación, S.A.U. and Iberdrola Finanzas, S.A.U. had granted loans to IBERDROLA for the amount of various debt issues in different currencies made by those group companies with the guarantee of IBERDROLA, as well as current account transactions.

The maturities and currencies of those balances at 31 December 2021 and 2020 are as follows:

Millions of euros	Balance at 31.12.2021	Current			Non-current			Total non-current
		2022	2023	2024	2025	2026	2027 and beyond	
Euros	8,704	424	3,002	71	—	1,316	3,894	8,283
US dollars	902	4	—	—	301	—	597	898
Pounds sterling	821	238	—	583	—	—	—	583
Yen	24	—	24	—	—	—	—	24
Total	10,451	666	3,026	654	301	1,316	4,491	9,788
Accrued interest	136	136	—	—	—	—	—	—
Total	10,587	802	3,026	654	301	1,316	4,491	9,788

Millions of euros	Balance at 31.12.2020	Current			Non-current			Total non-current
		2021	2022	2023	2024	2025	2026 and beyond	
Euros	7,105	1,530	38	3,002	71	—	2,464	5,575
US dollars	846	6	—	—	—	286	554	840
Pounds sterling	769	—	220	—	549	—	—	769
Yen	25	—	—	25	—	—	—	25
Total	8,745	1,536	258	3,027	620	286	3,018	7,209
Accrued interest	77	77	—	—	—	—	—	—
Total	8,822	1,613	258	3,027	620	286	3,018	7,209

As explained in Note 5, balances in non-euro currencies are hedged for exchange rate risk.

The breakdown by maturity of future unaccrued interest payment commitments at 31 December 2021 and 2020, after factoring in the effect of exchange rate and interest rate hedges and considering that the prevailing interest rates and exchange rates remain constant through to maturity, is as follows:

Millions of euros	2022	2023	2024	2025	2026	2027 and beyond	Total
Euros	95	95	95	95	96	178	654
US dollars	55	55	55	47	39	332	583
Pounds sterling	58	43	43	—	—	—	144
Total	208	193	193	142	135	510	1,381



Millions of euros	2021	2022	2023	2024	2025	2026 and beyond	Total
Euros	20	56	54	53	52	812	1,047
US dollars	44	55	55	55	47	391	647
Pounds sterling	45	54	41	41	–	–	181
Total	109	165	150	149	99	1,203	1,875

At 31 December 2021 and 2020, these borrowings accrued a weighted average annual interest rate of 2.06% and 1.93%, respectively, following the corresponding hedges.

b) Trade balances with group companies and associates

The breakdown of IBERDROLA's payables and receivables with group companies and associates at 31 December 2021 and 2020 is as follows:

Millions of euros	2021		2020	
	Receivables	Payables	Receivables	Payables
Current				
Avangrid Management Company, LLC	34	2	33	1
Neoenergía, S.A.	16	–	16	–
Other	19	12	13	11
Total	69	14	62	12

Most of the balances above arise from transactions undertaken in the normal course of business.

c) Derivatives – group companies and associates

The breakdown of derivatives arranged by IBERDROLA with group companies and associates at 31 December 2021 and 2020 is as follows:

Millions of euros	2021		2020	
	Assets	Liabilities	Assets	Liabilities
Non-current				
Iberdrola Financiación, S.A.U.	27	–	4	–
Other	–	–	1	–
Total	27	–	5	–
Current				
Iberdrola Re, S.A.	–	–	–	1
Total	–	–	–	1



23.2. TRANSACTIONS BETWEEN IBERDROLA AND RELATED PARTIES

The following transactions take place within the normal course of business and are carried out under normal market conditions.

The most noteworthy transactions in 2021 and 2020 are as follows:

Transactions with significant shareholders (Note 11)

In 2021 there were no significant shareholders that met the definition of Section 529 *vicies* of the Spanish Companies Act because they did not hold 10% of the voting rights or were not represented on the Board of Directors.

Transactions with other related parties

Millions of euros	2021		2020	
	Group entities or subsidiaries	Jointly controlled companies	Group entities or subsidiaries	Jointly controlled companies
Expenses and income				
Finance expenses	207	—	136	—
Leases	—	—	—	4
Services received	82	—	68	—
Other expenses	1	—	2	—
Total expenses	290	—	206	4
Finance income (Note 18.1)	33	—	21	—
Dividends received (Note 18.1)	2,257	—	2,449	—
Services rendered (Note 18.1)	384	—	374	—
Total income	2,674	—	2,844	—

23.3. TRANSACTIONS WITH DIRECTORS AND SENIOR MANAGEMENT

Transactions with directors and executives in 2021 and 2020, other than those described in Notes 20 and 22, relate solely to dividends and other benefits distributed in 2021 and 2020 in connection with the *Iberdrola Retribución Flexible* optional dividend system. In 2021 and 2020, these transactions with directors amounted to EUR 1.6 million and EUR 0.5 million, respectively, while with senior management they came to EUR 0.5 million and EUR 0.3 million, respectively.



24. FEES FOR SERVICES PROVIDED BY THE STATUTORY AUDITORS

Fees paid for services provided in 2021 and 2020 by the main auditor (KPMG Auditores, S.L.) are as follows:

Millions of euros	2021	2020
Auditing services	3	3
Other non-audit services		
Limited financial information assurance services	1	1
Other services (*)	1	1
Total	5	5

(*) Relates to comfort letter reports for debt issues and underwriting and other reports required by the regulator.

25. SUBSEQUENT EVENTS

The main events following the close of the year were as follows:

Iberdrola Retribución Flexible

On 5 January 2022, the following terms governing the second scrip issue (*Iberdrola Retribución Flexible*) were approved by shareholders at the General Shareholders' Meeting of IBERDROLA held on 18 June 2021, under item 12 on the agenda:

- The maximum number of shares to be issued under the capital increase is 106,101,466.
- The number of free-of-charge allocation rights required to receive one new share is 60.
- The maximum nominal value of the capital increase is EUR 79,576,100.
- The gross *Interim Dividend* per share amounts to EUR 0.170.

At the end of the trading period for the free-of-charge allocation rights:

- During the period established for this purpose, the holders of 2,077,587,951 shares in the Company opted to receive the *Interim Dividend*. Thus, the gross amount paid out under the *Interim Dividend* was EUR 353 million. As a result, those shareholders expressly waived 2,077,587,951 free-of-charge allocation rights and, therefore, the right to receive 34,626,466 new shares.
- Furthermore, the final number of new common shares with a par value of EUR 0.75 each to be issued was 71,475,000, yielding a nominal capital increase (under this issue) of EUR 54 million and thus raising IBERDROLA's pre-issue share capital by 1.123%.



- Following this share capital increase, IBERDROLA's share capital amounts to EUR 4,828,172,250, represented by 6,437,563,000 common shares, each with a par value of EUR 0.75 and all fully subscribed for and paid up.

Following fulfilment of the pertinent legal requirements (especially verification of those requirements by the Spanish National Securities Market Commission), the new shares were admitted for trading on the continuous market of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, through the Automated Quotation System (Continuous Market), on 1 February 2022. Regular trading of the new shares commenced on 2 February 2022.

26. EXPLANATION ADDED FOR THE TRANSLATION TO ENGLISH

These Financial statements are presented on the basis of accounting principles generally accepted in Spain.

Consequently, certain accounting practices applied by the Company may not conform with generally accepted accounting principles in other countries.



APPENDIX



ADDITIONAL INFORMATION FOR 2021 REGARDING COMPANIES THAT BELONG TO STATE TAX GROUP 2/86 AND BISCAY REGIONAL TAX GROUP 02415BSC

The following list names the companies that pay tax under the tax consolidation regime:

Companies of the State Tax Group 2/86	Activity
LIBERALISED BUSINESS	
Energyworks Aranda, S.L.	Energy
Energyworks Carballo, S.L.	Energy
Energyworks Cartagena, S.L.	Energy
Energyworks Fonz, S.L.	Energy
Energyworks Milagros, S.L.	Energy
Energyworks Monzón, S.L.	Energy
Energyworks San Millán, S.L.	Energy
Energyworks Villarrobledo, S.L.	Energy
Iberdrola Clientes, S.A.U.	Retail supplier
Curenergía Comercializador de Último Recurso, S.A.U.	Retail supplier
Iberdrola Clientes España, S.A.U.	Energy
Iberdrola Generación Nuclear, S.A.U.	Energy
Iberdrola Generación Térmica, S.L.U.	Energy
Iberdrola Operación y Mantenimiento, S.A.U.	Services
Iberdrola Servicios Energéticos, S.A.	Retail supplier
Productos y Servicios de Confort, S.A.	Services
Tarragona Power, S.L.U.	Energy
RENEWABLES BUSINESS	
Anselmo León Hidráulica, S.L.	Energy
Biovent Energía, S.A.	Energy
Ciener, S.A.U.	Energy
Electra Sierra de San Pedro, S.A.	Energy
Eme Hueneja Cuatro, S.L.	Energy
Energía de Castilla y León, S.A.	Energy
Energías Eólicas de Cuenca, S.A.U.	Energy
Energías Fotovoltaicas de Puertollano, S.L.	Energy
Energías Renovables de Belona, S.L.	Energy
Energías Renovables de Circe, S.L.	Energy
Energías Renovables de Febe, S.L.	Energy
Energías Renovables de Hermes, S.L.	Energy
Energías Renovables de la Región de Murcia, S.A.U.	Energy
Energías Renovables de Tione, S.L.	Energy
Iberdrola Generación, S.A.U.	Energy
Fincalia Agropecuaria, S.L.	Energy
Fincalia Agropecuaria siglo XXI, S.A.	Energy
Iberdrola Renovables Galicia, S.A.U.	Energy
Iberdrola Renovables Andalucía, S.A.U.	Energy
Iberdrola Renovables Aragón, S.A.U.	Energy
Iberdrola Renovables Canarias, S.A.U.	Energy
Iberdrola Renovables Castilla – La Mancha, S.A.U.	Energy
Iberdrola Renovables Castilla y León, S.A.	Energy
Iberdrola Renovables Energía, S.A.U.	Holding company
Ibernova Promociones, S.A.U.	Energy



Iberjalón, S.A.	Energy
Icaro Renovables, S.A.	Energy
Minicentrales del Tajo, S.A.	Energy
Parque Eólico Cruz del Carrutero, S.L.	Energy
Parque Eólico Panondres, S.L.	Energy
Peache Energías Renovables, S.A.	Energy
Producciones Energéticas Asturianas, S.L.	Energy
Producciones Energéticas de Castilla y León, S.A.	Energy
Proyecto Nuñez de Balboa, S.L.	Energy
PV I Ataulfo, S.L.	Energy
Renovables de Buniel, S.L.	Energy
Sistemas Energéticos Chandrexa, S.A.	Energy
Sistemas Energéticos del Moncayo, S.A.	Energy
Sistemas Energéticos Jaralón, S.A.	Energy
Sistemas Energéticos Loma del Viento, S.A.	Energy
Sistemas Energéticos La Muela, S.A.	Energy
Sistemas Energéticos Mas Garullo, S.A.	Energy
Parque Eólico Encinillas, S.L.	Energy
Dehesa Solar Sur, S.L.	Energy
Parque Solar Caceres, S.L.	Energy
Proyecto Solar Francisco Pizarro, S.L.	Energy
Parque Eólico Cordel Y Vidural, S.L.	Energy
Parque Eólico Capiechamartin, S.L.	Energy
Parque Eólico Verdigueiro, S.L.	Energy
Desarrollos Fotovoltaicos Fuentes, S.L.	Energy
Energías Renovables Cespедера, S.L.	Energy
Energías Renovables Poleo, S.L.	Energy
Energías Renovables Espliego, S.L.	Energy
Energías Renovables Cornicabra, S.L.	Energy
NETWORKS BUSINESS	
Anselmo León Distribución, S.L.	Energy
Anselmo León, S.A.U.	Holding company
Distribuidora de Energía Eléctrica Enrique García Serrano, S.L.	Energy
Distribuidora Eléctrica Navasfrías, S.L.	Energy
Electro-Distribuidora Castellano-Leonesa, S.A.	Energy
Empresa Eléctrica del Cabriel, S.L.	Energy
Herederos María Alonso Calzada – Venta de Baños, S.L.	Energy
San Cipriano de Rueda Distribución, S.L.	Energy
OTHER BUSINESSES	
Engineering	
Iberdrola Ingeniería y Construcción, S.A.U.	Engineering
Real Property	
Arrendamiento de Viviendas Protegidas Siglo XXI, S.L.	Real Property
Iberdrola Inmobiliaria Patrimonio, S.A.U.	Real Property
Iberdrola Inmobiliaria, S.A.	Real Property
CORPORATION	
Energy Innovation & Research, S.A.	Dormant



Companies of Biscay Regional Tax Group 02415BSC	Activity
LIBERALISED BUSINESS	
Spain and Portugal	
Energyworks Vit-Vall, S.L.	Energy
Iberdrola Clientes Internacional, S.A.U.	Holding company
Iberdrola Cogeneración, S.L.U.	Holding company
Iberduero, S.L.U.	Energy
RENEWABLES BUSINESS	
Spain	
Eólicas de Euskadi, S.A.U.	Energy
Iberdrola Renovables Internacional, S.A.U.	Holding company
Ekienea, S.L.	Energy
NETWORKS BUSINESS	
Spain	
Iberdrola Infraestructuras y Servicios de Redes, S.A.	Services
Iberdrola Redes España, S.A.U.	Holding company
I-DE Redes Eléctricas Inteligentes, S.A.U.	Energy
Sociedad Distribuidora de Electricidad de Elorrio, S.A.	Energy
OTHER BUSINESSES	
Engineering	
Iberdrola Ingeniería de Explotación, S.A.U.	Engineering
Innovation	
Inversiones Financieras Perseo, S.L.	Holding company
Other businesses	
Iberdrola Inversiones 2010, S.A.U.	Holding company
Iberdrola Participaciones, S.A.	Holding company
CORPORATION	
Hidro I, S.L.U.	Holding company
Iberdrola, S.A.	Holding company
Iberdrola Corporación, S.A.	Dormant
Iberdrola España, S.A.U.	Holding company
Iberdrola Finanzas, S.A.U.	Financial
Iberdrola Finance Ireland, DAC	Financial
Iberdrola Energía, S.A.	Holding company
Iberdrola Energía Internacional, S.A.U.	Holding company
Iberdrola Financiación, S.A.	Financial



MANAGEMENT REPORT – 2021



1. BUSINESS PERFORMANCE

IBERDROLA is a holding company and therefore its earnings are chiefly produced by dividends and income from financing granted and services rendered to investees.

2. SIGNIFICANT EVENTS IN 2021

2.1 Key figures from the IBERDROLA Income Statement

In 2021, revenue amounted to EUR 2,674 million, of which EUR 2,257 million related to dividends received from group companies and associates, EUR 33 million to finance income from financing subsidiaries and EUR 384 million to income from services provided to group companies.

Procurements for the year amounted to EUR 1 million.

Total operating income for the year came to EUR 2,341 million, comprising other operating income of EUR 1 million, operating expenses of EUR 218 million, personnel expenses of EUR 170 million, amortisation and depreciation of EUR 72 million, and impairment and disposals of non-current assets of EUR 110 million, mainly due to valuations changes in the investment held in Iberdrola Financiación, S.A.U.

Net finance expense amounted to EUR 253 million, largely due to debts held with group companies and associates.

Profit for the year before tax was EUR 2,088 million, while income tax generated income of EUR 72 million, yielding net profit for the year of EUR 2,160 million, versus EUR 2,292 million in 2020.

Notably, two circumstances had a significant impact on the Income Statement for the period:

- Dividends received from subsidiaries in 2021 were down EUR 192 million on the amount received in 2020, amounting to EUR 2,257 million, compared to EUR 2,449 million received in 2020. The breakdown of dividends received from group companies and associates is described in Note 10. Changes in dividends received from the country subholding companies compared to the previous year are as follows:



Millions of euros	2021	2020	Change
Iberdrola España, S.A.	1,104	1,103	1
Avangrid, Inc.	425	397	28
Neoenergia, S.A.	1	1	—
Iberdrola International, B.V.	—	8	(8)
Iberdrola Participaciones, S.A.U.	430	—	430
SPW Investments Ltd.	—	940	(940)
Hidro I, S.L.	297	—	297
Total	2,257	2,449	(192)

- Finance income for 2021 was down EUR 136 million on the previous year, largely due to the following factors: increase of EUR 2 million in finance income, increase of EUR 80 million in finance expenses, a worsening of exchange rate differences by EUR 24 million, and a deterioration of EUR 34 million in the heading “Change in fair value of financial instruments”.

2.2 Statement of Financial Position

At 31 December 2021, IBERDROLA had negative working capital of EUR 4,627 million euros, which will be covered by funds generated from its business and dividends received from its subsidiaries.

2.3 Compliance with Section 262.1 of the Spanish Companies Act (*Ley de Sociedades de Capital*) in relation to the average period for payment to suppliers

As set forth in Note 16, the Company’s average period for payment to suppliers in financial year 2021 was 27 days. This period represents faster turnaround in payment than the maximum payment period provided by law.

3. MAIN RISK FACTORS ASSOCIATED WITH THE ACTIVITIES OF THE COMPANY

The IBERDROLA Group, of which the Company is the parent, is exposed to various inherent risks in the countries, industries and markets in which it operates and the businesses it carries out, which could prevent it from achieving its objectives and successfully pursuing its strategies. The Company performs its corporate business activities indirectly through the ownership of shares or other equity investments in other companies (country subholding companies, which in turn operate through the parent companies of their respective businesses). Therefore, the Company’s main risk factors are related to its investees, as described in the section *Main risks and uncertainties* of the Management Report attached to the consolidated Financial Statements of the IBERDROLA Group for 2021.



Aware of the importance of this matter, the Company's Board of Directors undertakes to develop all of its capabilities to ensure that the significant risks inherent to all of the Group's activities and businesses are appropriately identified, measured, managed and controlled, and has established, through the Group's *General Risk Control and Management Policy*, the basic mechanisms and principles necessary for appropriate management of the risk/opportunity ratio with a level of risk that enables it to:

- attain the strategic goals set by the Group with controlled volatility,
- provide the maximum level of assurance to the shareholders,
- contribute to the attainment of the Sustainable Development Goals (SDGs) approved by the UN, with a special focus on goals seven and thirteen,
- protect the results and reputation of the Group,
- defend the interests of shareholders, customers, other stakeholders with a vested interest in the progress of the Company, and society in general,
- ensure corporate stability and financial strength in a sustained fashion over time, and
- disseminate a risk culture among the Group's employees through communication and training.

In pursuing this commitment, the Board of Directors and its Executive Committee rely on the support of the Audit and Risk Supervision Committee, which, as an advisory body, monitors and reports upon the appropriateness of the assessment system and internal control of significant risks, with the support of the Group's Risk Management and Internal Assurance Division, which reports functionally to the committee, and in coordination with the audit committees existing at other group companies.

Every action aimed at controlling and mitigating risks will conform to the following main principles of conduct:

- a) Integrate the risk/opportunity vision into the Company's management, through a definition of the strategy and the risk appetite and the inclusion of this variable in strategic and operating decisions.
- b) Segregate functions, at the operating level, between risk-taking areas and areas responsible for the analysis, control and monitoring of such risks, ensuring an appropriate level of independence.
- c) Guarantee the proper use of risk-hedging instruments and the maintenance of records thereof as required by applicable law.
- d) Inform regulatory agencies and the principal external players, in a transparent fashion, regarding the risks facing the Group and the operation of the systems developed to control such risks, maintaining suitable channels that favour communication.
- e) Ensure appropriate compliance with the corporate governance regulations established by the Company through its Governance and Sustainability System and the updating and continuous improvement of such system within the



framework of best international practices in relation to transparency and good governance, and implement the monitoring and measurement of all such aspects.

- f) Act at all times in compliance with the values enshrined in the *Code of Ethics* and under the principles of *zero tolerance* for any of the unlawful acts and fraud situations set out in the *Crime Prevention Policy* and *Anti-Corruption and Anti-Fraud Policy* and the principles and good practices contained in the *Corporate Tax Policy*.

The *General Risk Control and Management Policy* and the basic principles underpinning it take the form of the three lines of defence model, articulated through a comprehensive risk control and management system, supported by a Risk Committee at Group level and based upon a sound definition and allocation of duties and responsibilities at various levels (operational and control) and upon suitable supporting procedures, methodologies and tools, including the following:

- a) A structure of policies, guidelines and limits, including the corresponding mechanisms for their approval and deployment, which review and dictate the risk appetite to be assumed each year in both qualitative and quantitative terms, in accordance with the objectives set out in the multi-year plan and the related annual budgets, both at Group level and for its main subsidiaries.
- b) The ongoing identification of significant risks and threats based on their possible impact on key management objectives and the Financial Statements (including contingent liabilities and other off-balance sheet risks).
- c) The analysis of such risks, both at each corporate business or function and taking into account their combined effect on the Group as a whole.
- d) The measurement and control of risks by following procedures and standards which are homogeneous and common to the Group as a whole.
- e) The analysis of risks associated with new investments, as an essential element of decision-making based upon profitability/risk.
- f) The maintenance of a system for monitoring and controlling compliance with policies, guidelines and limits, by means of appropriate procedures and systems, including the contingency plans needed to mitigate the impact of the materialisation of risks.
- g) The ongoing assessment of the suitability and effectiveness of the application of the system, as well as best practises and recommendations in the area of risks, with a view to eventually incorporating them into the model.
- h) The audit of the system by the Internal Audit Division.

In addition, the *General Risk Control and Management Policy* is further developed and supplemented by the policies listed below, which are also subject to approval by the Company's Board of Directors.

- a) Corporate Risk Policies:
 - Corporate Credit Risk Policy
 - Corporate Market Risk Policy



- Operational Risk in Market Transactions Policy
 - Insurance Policy
 - Investment Policy
 - Financing and Financial Risk Policy
 - Treasury Share Policy
 - Risk Policy for Equity Interests in Listed Companies
 - Purchasing Policy
 - Information Technology Policy
 - Cybersecurity Risk Policy
 - Occupational Safety and Health Risk Policy
 - Reputational Risk Framework Policy
- b) Risk Policies for the various businesses of the Group:
- Risk Policy for the Liberalised Businesses of the IBERDROLA Group
 - Risk Policy for the Renewable Energy Businesses of the IBERDROLA Group
 - Risk Policy for the Networks Businesses of the IBERDROLA Group
 - Risk Policy for the Real Estate Business of the IBERDROLA Group

The *General Risk Control and Management Policy*, as well as a summary of the Corporate Risk Policies and a summary of the specific risk policies for the various Group businesses, are available on the corporate website (www.iberdrola.com).

In order to align the risk impact with the established risk appetite, the Executive Committee of the Board of Directors, acting upon a proposal of the business or corporate divisions involved and upon a prior report from the Group's Risk Committee, annually reviews and approves specific guidelines regarding risk limits in the corporate risk policies.

The country subholding companies are responsible for adopting and implementing the Group's risk policies and implementing, approving the guidelines regarding specific risk limits based on the characteristics and particularities of the businesses in each country.

The governing bodies of the head of business companies of each country or region must approve specific risk limits applicable to each of them and implement the necessary control systems to ensure compliance.

Listed country subholding companies and those with significant minority interests, by virtue of their own special framework of strengthened autonomy, have their own risk policies approved by their competent bodies, aligned with those of the IBERDROLA Group.



The risk factors to which the Group is generally subject are listed below:

- a) Corporate governance risks: the main corporate governance risks relate to a possible breach of: (i) applicable law, (ii) the provisions of the governance and sustainability system, (iii) the recommendations of the CNMV's Code of Good Governance and its practical guides, and (iv) international standards in this realm. The consequences may include: (i) the challenging of corporate resolutions; (ii) participation of dissenting shareholders at the General Shareholders' Meeting; (iii) sanctions or requirements imposed by the CNMV; and (iv) divestment and/or lack of interest among investors in acquiring Iberdrola shares.
- b) Market risks: defined as the exposure of the Group's results and equity to changes in market prices and variables, such as:
 - Financial: exchange rate, interest rate, solvency, liquidity, inflation and the value of financial assets and liabilities.
 - Energy and other commodity prices: electricity prices, gas and other fuel prices, CO2 emission allowances or other support mechanisms for renewables, as well as those related to other commodities (steel, aluminium, copper, polysilicon and others).
- c) Credit risks: defined as the possibility that a counterparty fails to perform its contractual obligations, thus causing an economic or financial loss to the Group. Counterparties can be end customers, counterparties in financial or energy markets, partners, suppliers or contractors.
- d) Business risks: defined as the uncertainty regarding the performance of key variables inherent to the business, such as the characteristics of demand, weather conditions, the strategies of different players, and others.
- e) Political and regulatory risks: those arising from regulatory changes made by the various regulators, such as changes in the remuneration of regulated activities or in the required conditions of supply, or in environmental or tax regulations, including risks related to political changes that could affect legal security and the legal framework applicable to the Group's businesses in each jurisdiction, the nationalisation or expropriation of assets, the cancellation of operating licences and the early termination of government contracts.
- f) Operational, technological, environmental, social and legal risks: relate to direct or indirect economic losses caused by external events or inadequate internal processes, including those arising from:
 - Technological failures, human error and technological obsolescence.
 - The operation and construction of facilities.
 - Procurement and the supply chain.
 - Cybersecurity and information systems
 - The safety and health of people.



- Those associated with climate change, extreme natural phenomena and pandemics.
 - Regulatory compliance.
 - The reliability of financial and non-financial information.
 - Fraud and corruption
 - Litigation, arbitration and criminal proceedings
- g) Reputational risks: potential negative impact on the Company's value where its performance falls short of the expectations of stakeholders, as defined in the *Stakeholder Engagement Policy*, including behaviour or conduct that might involve corruption.

Given the multidimensional nature of the risks, the taxonomy defined in the system envisions additional classification variables for improved monitoring, control and reporting of these risks through the monitoring tools. These additional categories include:

- Classification of risks as Structural, Hot Topics and Emerging, the last of which is understood as possible new threats with an as yet uncertain impact and undefined probability, but which are growing and could eventually become material for the Group.
- The inclusion of risk factors that are complementary to the main risk factor, such as financial, sustainability, environmental, social and governance (ESG), fraud or corruption, tax, health, cybersecurity or third party.

The Audit and Risk Supervision Committee of the Board of Directors periodically monitors the situation of the Company's risks:

- It reviews the Group's quarterly risk reports, which include monitoring compliance with risk limits and indicators and updated key risk maps, submitted by the Group's head of risk management and internal assurance.
- It also coordinates and reviews the risk reports sent at least semi-annually by the audit and compliance committees of the Group's main subsidiaries, including the subholding companies for the main countries or regions in which the Group operates. These reports, along with presentations given in person by the Group's head of risks and internal assurance, are used to draw up a risk report for the Board of Directors at least semi-annually.

For more information, see the *Risk Control and Management Systems* section of the *2021 Corporate Governance Report* and the risks section of the *Integrated Report – February 2022*. Furthermore, Note 5 to the Financial Statements explains the *Financing and Financial Risk Policy*.



4. NON-FINANCIAL INFORMATION AND DIVERSITY

IBERDROLA is a holding company. As a result, there are no environmental items to be included in these Notes to the Financial Statements in accordance with the Spanish General Chart of Accounts (*Plan General de Contabilidad*).

The Company and its subsidiaries are exempt from presenting the *Statement of Non-financial Information* referred to in Section 262 of the Spanish Companies Act and Section 49 of the Commercial Code, as both the Company and its subsidiaries are included in a separate report titled *Statement of Non-financial Information. Consolidated Sustainability Report of IBERDROLA, S.A. and its subsidiaries for 2021*. Said document has been verified by an independent assurance provider and is subject to the same requirements in terms of approval, deposit and publication as the IBERDROLA Group's consolidated Management Report.

5. RESEARCH AND DEVELOPMENT ACTIVITIES

Innovation is IBERDROLA's primary tool to guarantee the Company's sustainability, efficiency and competitiveness.

IBERDROLA is today the *Utility of the future* due to its innovative strategy, extended to all its business units and areas of activity. Thanks to a constant commitment to innovation, IBERDROLA is the most innovative Spanish utility, the second at European level and the third at worldwide level, in accordance with the European Commission's classification. This position was reached thanks to the talent, experience and effort of 37,000 people across more than 40 countries.

In 2021 IBERDROLA channelled EUR 36 million into R&D activities. These funds were largely used for the main business units: more renewables, more structured and smarter grids, and more consumer solutions. Moreover, the continued development of the digital transition by providing the system with intelligence has been crucial.

6. TREASURY SHARES AND REDUCTION IN SHARE CAPITAL

At the General Shareholders' Meeting held on 8 April 2016, the shareholders resolved to expressly authorise the Board of Directors, with powers of substitution, pursuant to the provisions of Section 146 of the Spanish Companies Act, to carry out the derivative acquisition of shares of Iberdrola, S.A. under the following conditions:

- Acquisitions may be made directly by the Company or indirectly through its subsidiaries under the same terms and conditions as those set forth in this resolution. The subsidiaries which carry out regulated activities pursuant to the provisions of Law 24/2013 of 26 December on the Electricity Sector and Law 34/1988 of 7 October on the Hydrocarbon Sector are excluded from this authorisation.
- Acquisitions may be made by means of purchase and sale transactions, swaps or any other transaction permitted by law.



- Acquisitions may be made up to the maximum threshold allowed by law at any time.
- Such acquisitions may not be made at a price higher than the market price or lower than the par value of the shares.
- This authorisation is granted for a period of five years as from the approval of this resolution.
- As a result of the acquisition of shares, including those which the Company or the person acting in their own name but on behalf of the Company has previously acquired and held in treasury, the resulting shareholders' equity cannot decrease below the amount of the share capital plus the restricted reserves required under law or the By-Laws, all as provided in Section 146.1.b) of the Spanish Companies Act.

The resolution expressly provides that the shares acquired under the aforementioned authorisation can be disposed of or redeemed or used for the remuneration systems provided for in paragraph three of Section 146.1.a) of the Spanish Companies Act. They may also be used to develop programmes that encourage the acquisition of interests in the Company's share capital, such as dividend reinvestment plans, loyalty bonuses and other similar instruments.

Transactions relating to the treasury shares of IBERDROLA in 2021 and 2020 mainly involved the redemption of said shares and their application to employee remuneration systems, as follows:

Treasury shares	No. of shares	Nominal amount (millions of euros)	Cost of treasury shares (millions of euros)	Average price per share (euros)	Total shares	% of capital
Balance at 01.01.2020	24,376,375	18	218	8.94	6,362,072,000	0.38
Acquisitions	286,880,467	215	2,708	9.44		
Reduction in share capital	(213,592,000)	(160)	(1,918)	8.98		
Disposals	(13,136,001)	(10)	(120)	9.12		
Iberdrola Retribución Flexible (1)	693,281	1	—	—		
Balance at 31.12.2020	85,222,122	64	888	10.42	6,350,061,000	1.34
Acquisitions	180,342,768	136	1,896	10.51		
Reduction in share capital	(178,156,000)	(134)	(1,898)	10.65		
Disposals	(6,008,280)	(5)	(63)	10.45		
Iberdrola Retribución Flexible (1)	1,514,730	1	—	—		
Balance at 31.12.2021	82,915,340	62	823	9.92	6,366,088,000	1.30

(1) Shares received

7. SUBSEQUENT EVENTS

Events occurring after the close of the financial year are described in Note 25 to the Financial Statements.



ANNUAL CORPORATE GOVERNANCE REPORT – 2021

The disclosures contained in this section of the Management Report are the same as the disclosures in the Annual Corporate Governance Report sent separately to the Spanish National Securities Market Commission for publication at www.cnmv.es.



**ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED PUBLIC LIMITED COMPANIES**

ISSUER IDENTIFICATION DETAILS

YEAR END-DATE

31/12/2021

**TAX IDENTIFICATION
CODE (C.I.F.) A-48010615**

Company name: IBERDROLA, S.A.

Registered office: Plaza Euskadi número 5
48009 Bilbao - Biscay - Spain

NOTE: The English text of the headings of this Annual Corporate Governance Report have been extracted directly from the English-language template provided by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).



**ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED PUBLIC LIMITED COMPANIES**

A OWNERSHIP STRUCTURE

- A.1 Complete the following table on share capital and the attributed voting rights, including those corresponding to shares with a loyalty vote as of the closing date of the year, where appropriate:

Indicate whether company bylaws contain the provision of double loyalty voting:

No

Yes

Date of the last modification of the share capital	Share capital	Number of shares	Number of voting rights (not including additional loyalty-attributed votes)
30/07/2021	4,774,566,000	6,366,088,000	6,366,088,000

Observations
On 3 February 2022, the share capital was increased to €4,828,172,250, represented by 6,437,563,000 ordinary shares having a nominal value of €0.75 each, belonging to a single class and series, which are fully subscribed and paid up.

Indicate whether there are different classes of shares with different associated rights:

Yes

No

- A.2 List the company's significant direct and indirect shareholders at year end, including directors with a significant shareholding:

Name or company name of shareholder	% of voting rights attached to the shares (including votes for loyalty)		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
BLACKROCK, INC.	0.00	5.14	0.00	0.02	5.16
NORGES BANK	3.36	0.00	0.00	0.00	3.36



QATAR INVESTMENT AUTHORITY	0.00	8.69	0.00	0.00	8.69
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Observations	
Data at 31/12/2021.	
According to available information, the approximate breakdown of the interests in the share capital by type of shareholder is as follows:	
- Foreign investors	69.25%
- Domestic entities	8.53%
- Domestic retail investors	22.22%

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares (including votes for loyalty)	% of voting rights through financial instruments	% of total voting rights
BLACKROCK, INC.	BLACKROCK GROUP	5.14	0.02	5.16
QATAR INVESTMENT AUTHORITY	QATAR HOLDING LLC	6.26	0.00	6.26
QATAR INVESTMENT AUTHORITY	DIC HOLDING LLC	2.43	0.00	2.43

Indicate the most significant changes in the shareholder structure during the year:

Name or company name of shareholder	Type of movement	Description of movement
NORGES BANK	21/06/2021	Interest decreased to below 3%
NORGES BANK	28/06/2021	Interest increased to above 3%
NORGES BANK	29/06/2021	Interest decreased to below 3%
NORGES BANK	12/07/2021	Interest increased to above 3%

Most significant movements
The sources of the information provided are the notices sent by the shareholders to the CNMV and to the Company itself, the information



contained in their respective annual reports and press releases, and the information that the Company obtains from Iberclear.

Pursuant to the provisions of Section 23.1 of Royal Decree 1362/2007 of 19 October, further developing Law 24/1988 of 28 July on the Securities Market, in connection with the transparency requirements relating to the information on issuers whose securities have been admitted to trading on an official secondary market or other regulated market in the European Union, it is deemed that the holder of a significant interest is a shareholder holding at least 3% of voting rights.

A.3 Give details of the participation at the close of the fiscal year of the members of the board of directors who are holders of voting rights attributed to shares of the company or through financial instruments, whatever the percentage, excluding the directors who have been identified in Section A.2 above:

Name or company name of director	% voting rights attributed to shares (including loyalty votes)		% of voting rights through financial instruments		% of total voting rights	From the total % of voting rights attributed to the shares, indicate, where appropriate, the % of the additional votes attributed corresponding to the shares with a loyalty vote	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JUAN MANUEL GONZÁLEZ SERNA					0.01		
MS MARÍA HELENA ANTOLÍN RAYBAUD							
MS SARA DE LA RICA GOIRICELAYA							
MR FRANCISCO MARTÍNEZ CÓRCOLES	0.01				0.01		
MR XABIER SAGREDO ORMAZA							
MR MANUEL MOREU MUNAIZ							
MR JOSÉ IGNACIO	0.14	0.06			0.20		



SÁNCHEZ GALÁN							
MR IÑIGO VÍCTOR DE ORIOL IBARRA	0.02				0.02		
MR ANTHONY L. GARDNER							
MS NICOLA MARY BREWER							
MS REGINA HELENA JORGE NUNES							
MR ÁNGEL JESÚS ACEBES PANIAGUA							
MS MARÍA ÁNGELES ALCALÁ DÍAZ							
MS ISABEL GARCÍA TEJERINA							

Total percentage of voting rights held by the Board of Directors	0.25
-------------------------------------------------------------------------	------

Observations
<p>Pursuant to the provisions of the 2017-2019 Strategic Bonus approved at the General Shareholders' Meeting and the evaluation by the Board of Directors, after a report from the Remuneration Committee, of the level of achievement of the objectives to which it is linked, the chairman & CEO may receive up to a maximum of 1,900,000 shares for his performance during the 2017-2019 period, to be paid, if appropriate, in three equal parts in 2020 (already paid), 2021 (already paid) and 2022. The former Business CEO may receive a maximum of 300,000 shares, to be paid, if appropriate, in three equal parts in 2020 (already paid), 2021 (already paid) and 2022.</p> <p>Each of the deliveries of shares is subject to confirmation by the Board of Directors, after a report from the Remuneration Committee, that the circumstances on which the performance evaluation was based remain in effect.</p> <p>A new Strategic Bonus for the 2020-2022 period was approved by the shareholders at the General Shareholders' Meeting held on 2 April 2020. Pursuant thereto, the chairman & CEO may receive up to a maximum of 1,900,000 shares based on the evaluation of the Company's performance during said period, to be paid, if</p>



appropriate, in 2023, 2024 and 2025. Mr Francisco Martínez Córcoles may receive up to a maximum of 300,000 shares.

Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% voting rights attributed to shares (including loyalty votes)	% of voting rights through financial instruments	% of total voting rights	From the total % of voting rights attributed to the shares, indicate, where appropriate, the % of the additional votes attributed corresponding to the shares with a loyalty vote

List the total percentage of voting rights represented on the board:

Total percentage of voting rights held by the Board of Directors	0.25
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- A.4 If applicable, indicate any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, with the exception of those reported in section A.6:

Name or company name of related party	Nature of relationship	Brief description
No data		

- A.5 If applicable, indicate any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or its group, unless they are insignificant or arise in the ordinary course of business:

Name or company name of related party	Nature of relationship	Brief description
No data		

- A.6 Unless insignificant for both parties, describe the relationships that exist between significant shareholders, shareholders represented on the Board and directors or their representatives in the case of directors that are legal persons.

Explain, if applicable, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or who are linked to significant shareholders and/or companies in their group, specifying the nature of



such relationships or ties. In particular, mention the existence, identity and post of any directors of the listed company, or their representatives, who are in turn members or representatives of members of the Board of Directors of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship / post
No data			

Observations
There are no directors appointed on behalf of significant shareholders or directors connected thereto or proposed by them for appointment.

- A.7 Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Corporate Enterprises Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes No

Indicate whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes No

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

- A.8 Indicate whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Securities Market Act. If so, identify them:

Yes No

- A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
82,915,340		1.30

(*) Through:

Name or company name of direct shareholder	Number of direct shares
--------------------------------------------	-------------------------



No data	
Total:	

Explain any significant changes during the year:

Explain significant changes
<p>The Company sent to the CNMV three updates to its treasury share position during financial year 2021 as a result of a change in the number of voting rights arising from corporate transactions:</p> <ul style="list-style-type: none">• On 10 February notices were provided of direct acquisitions of a total of 10,835,446 shares (0.169%), coinciding with the increase in capital resulting from the “Iberdrola Retribución Flexible” programme.• On 7 July notices were provided of direct acquisitions of a total of 35,802,235 shares (0.574%), coinciding with the reduction in capital carried out.• On 30 July notices were provided of direct acquisitions of a total of 4,611,792 shares (0.072%), coinciding with the increase in capital resulting from the “Iberdrola Retribución Flexible” programme.• During financial year 2021 the Company also provided three more notices arising from consecutive direct acquisitions of own shares due to said acquisitions exceeding 1% of voting rights since the preceding notice:• On 4 January the Company notified the CNMV of direct acquisitions of a total of 80,216,494 own shares (1.263%).• On 22 April notice was provided of direct acquisitions of a total of 64,181,755 shares (1.000%); and• On 23 December notice was provided of direct acquisitions of a total of 66,426,270 shares (1.043%).

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The shareholders acting at the General Shareholders’ Meeting held on 13 April 2018 resolved to expressly authorise the Board of Directors, with the power of substitution, pursuant to the Companies Act (*Ley de Sociedades de Capital*), to carry out the derivative acquisition of shares of Iberdrola on the following terms:

a) Purchases may be made by Iberdrola directly, or indirectly through its subsidiaries. Subsidiaries carrying out regulated activities are excluded pursuant to the provisions of the Electricity Industry Act (*Ley del Sector Eléctrico*) and the Hydrocarbons Act (*Ley de Hidrocarburos*).



- b) Purchases will be made using purchase/sale or swap transactions or any other means allowed by law.
- c) Purchases may be made up to the maximum sum permitted by law (i.e. 10% of the share capital).
- d) Purchases may not be made at a higher price than that quoted on the Stock Exchange or at a price lower than the share's nominal value.
- e) The authorisation was granted for a period not to exceed five years as from the approval of the resolution.
- f) As a result of the acquisition of shares, including those that the Company or the person acting in their own name but on behalf of the Company has previously acquired and holds in treasury, the resulting shareholders' equity cannot decrease to below the amount of the share capital plus the restricted reserves required under law or the by-laws.

The shares, if any, purchased as a result of the aforementioned authorisation could be used for either transfer or retirement or could be applied to the remuneration systems provided for in the Companies Act; added to the foregoing alternatives was the possible development of programmes fostering the acquisition of interests in the Company, such as, for example, dividend reinvestment plans, loyalty bonuses or similar instruments.

Furthermore, at the General Shareholders' Meeting held on 2 April 2020, the shareholders resolved to authorise the Board of Directors to increase share capital upon the terms and within the limits set forth in Section 297.1.b) of the Companies Act. It was also authorised to issue debentures exchangeable for and/or convertible into shares and warrants in an amount of up to €5,000 million within a period of 5 years. Both authorisations included the power to exclude preemptive rights up to an overall maximum nominal amount of 10% of the share capital.

A.11 Estimated float:

	%
Estimated float	81.24%

A.12 Indicate whether there are any restrictions (articles of incorporation, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, indicate the existence of any type of restriction that may inhibit a takeover of the company through acquisition of its shares on the market, as well as such regimes for prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes

No

Description of restrictions
Those having an interest equal to or greater than 3% of the capital or voting rights of two or more companies that have the status of principal operator in certain markets or sectors (including the generation and supply of electricity) may not exercise rights in excess of such percentage in more than one entity.



Article 29.2 of the By-Laws provides that no shareholder may cast a number of votes greater than those corresponding to shares representing 10% of the share capital.

According to Article 28, affected shareholders may not exercise their right to vote at the General Shareholders' Meeting if the resolution to be approved is intended to: (a) relieve the shareholder of an obligation or grant the shareholder a right; (b) provide the shareholder with any kind of financial assistance, including the provision of guarantees in favour thereof; (c) release the shareholder, if a director, from obligations arising from the duty of loyalty as provided by law; or (d) approve a related-party transaction that affects the shareholder, unless the corresponding proposed resolution has been approved in accordance with the provisions of law.

Article 50 of the By-Laws provides that the by-law restrictions against the exercise of voting rights by shareholders affected by conflicts of interest established in Article 28 above and the limitation on the maximum number of votes that may be cast by a single shareholder contained in sections 2 and 4 of Article 29 above shall be deprived of effect upon the occurrence of certain circumstances in the case of a takeover bid.

Furthermore, Section 527 of the Companies Act provides that at listed companies (*sociedades anónimas cotizadas*), the by-law provisions that directly or indirectly set, as a general rule, the maximum number of votes that may be cast by a single shareholder, by the companies belonging to the same group or by those acting in concert with the foregoing shall be of no effect when, following a takeover bid, the bidder has reached a percentage that is equal to or greater than 70% of the voting share capital, unless such bidder is not subject to equivalent breakthrough measures or has not adopted them.

Pursuant to U.S. law, due to the business carried out by Avangrid, Inc. (a company belonging to the Iberdrola group) in that country, the acquisition of an interest giving rise to the holding of 10% or more of the share capital of Iberdrola will be subject to the prior approval of certain U.S. regulatory authorities.

Pursuant to Australia's Foreign Acquisitions and Takeovers Act 1975 (Cth) (FATA), the acquisition of an interest in at least 20% of the share capital of Iberdrola by a person, alone or with one or more associates, requires approval by the Australian Treasurer, due to the Iberdrola group's ownership of Infigen Energy and other Australian renewable energy assets. Furthermore, the Australian Treasurer also has powers under the FATA in certain circumstances if prior approval is not obtained where a person alone or with one or more associates acquires an interest in: (i) at least 10% in Iberdrola; (ii) at least 5% of Iberdrola and has entered into a legal arrangement relating to that person's business and Iberdrola or its business; or (ii) any percentage of Iberdrola's share capital, and the person, alone or with one or more associates, is in a position to influence or participate in Iberdrola's central management and control.

Among the measures adopted by the Spanish Government in view of the economic consequences of the COVID-19 pandemic, prior government approval



is required for the acquisition of a stake equal to or greater than 10% of the share capital of listed Spanish companies in the energy infrastructure and energy supply sectors, among others (Sect. 7 *bis* of Law 19/2003 of 4 July, introduced by Royal Decree-law 8/2020 of 17 March, and sole transitional provision of Royal Decree-law 34/2020 of 17 November).

A.13 Indicate whether the general shareholders' meeting has resolved to adopt measures to neutralise a takeover bid by virtue of the provisions of Law 6/2007.

Yes

No

If so, explain the measures approved and the terms under which such limitations would cease to apply:

A.14 Indicate whether the company has issued shares that are not traded on a regulated EU market.

Yes

No

If so, indicate each share class and the rights and obligations conferred.

**B GENERAL SHAREHOLDERS' MEETING**

- B.1 Indicate whether there are any differences between the minimum quorum regime established by the Spanish Corporate Enterprises Act for General Shareholders' Meetings and the quorum set by the company, and if so give details.

Yes No

	% quorum different from that established in Article 193 of the Spanish Corporate Enterprises Act for general matters	% quorum different from that established in Article 194 of the Spanish Corporate Enterprises Act for special resolutions
Quorum required at 1st call	0.00	66.67
Quorum required at 2nd call	0.00	60.00

Description of differences
Article 21.2 of the By-Laws increases the quorum required to hold a valid meeting “in order to adopt resolutions regarding a change in the object of the Company, transformation, total split-off, dissolution of the Company, and the amendment of this section 2”, in which case “shareholders representing two-thirds of subscribed share capital with voting rights must be in attendance at the first call to the General Shareholders’ Meeting, and shareholders representing sixty per cent of such share capital must be in attendance at the second call”.

- B.2 Indicate whether there are any differences between the company’s manner of adopting corporate resolutions and the regime provided in the Spanish Corporate Enterprises Act and, if so, give details:

Yes No

	Qualified majority different from that established in Article 201.2 of the Spanish Corporate Enterprises Act for matters referred to by Article 194.1 of said Act	Other matters requiring a qualified majority
% established by the company for the adoption of resolutions	75.00	75.00

Article 52 of the By-Laws provides that all resolutions intended to eliminate or amend the provisions contained in title IV (breakthrough of restrictions in the event of takeover bids), in Article 28 (conflicts of interest), and in sections 2 to 4 of Article 29 (limitation upon the maximum number of votes that a shareholder may cast) shall require the affirmative vote of three-fourths (3/4)



of the share capital present in person or by proxy at a General Shareholders' Meeting.

- B.3 Indicate the rules for amending the company's articles of incorporation. In particular, indicate the majorities required for amendment of the articles of incorporation and any provisions in place to protect shareholders' rights in the event of amendments to the articles of incorporation.

In addition to the provisions of Section 285 *et seq.* of the Companies Act, the By-Laws of Iberdrola contain Articles 21.2 (qualified quorum) and 52 (qualified majority) mentioned in sections B.1 and B.2 above.

- B.4 Give details of attendance at General Shareholders' Meetings held during the reporting year and the two previous years:

Date of general meeting	Attendance data				Total
	% physical presence	% present by proxy	% distance voting		
			Electronic voting	Other	
29/03/2019	9.00	61.40	0.33	3.39	74.12
Of which float:	0.55	61.17	0.33	3.39	65.44
02/04/2020	0.00	69.69	1.53	5.82	77.04
Of which float:	0.00	58.01	1.41	5.82	65.24
18/06/2021	0.00	59.37	0.67	5.79	65.83
Of which float:	0.00	47.63	0.53	5.79	53.95

Observations
<p>The 2021 Meeting was held online without the physical presence of the shareholders, who were able to attend and vote online during the Meeting, as well as to vote prior to the Meeting using the corporate website (votes reflected in the “Electronic voting” column). Shareholders were also able to vote remotely prior to the Meeting by telephone, by delivering or sending their absentee voting cards via WhatsApp, email and postal channels, as well as through depositaries and custodians (votes reflected in the “Other” column).</p> <p>The “Other” column also includes absentee votes received through shareholder information desks opened by the Company in 2019. These premises were not activated in 2020 or in 2021.</p>

- B.5 Indicate whether any point on the agenda of the General Shareholders' Meetings during the year was not approved by the shareholders for any reason.

Yes

No



B.6 Indicate whether the articles of incorporation contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or to vote remotely:

Yes No

B.7 Indicate whether it has been established that certain decisions, other than those established by law, entailing an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions must be submitted for approval to the General Shareholders' Meeting.

Yes No

B.8 Indicate the address and manner of access on the company's website to information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

<https://www.iberdrola.com/corporate-governance>

**C STRUCTURE OF THE COMPANY'S ADMINISTRATION****C.1 Board of Directors**

C.1.1 Maximum and minimum number of directors established in the articles of incorporation and the number set by the general meeting:

Maximum number of directors	14
Minimum number of directors	9
Number of directors set by the general meeting	14

C.1.2 Complete the following table on Board members:

Name or company name of director	Representative	Category of director	Position on the board	Date first appointed	Date of last appointment	Election procedure
MR JUAN MANUEL GONZÁLEZ SERNA		Independent	Lead Independent Director	31/03/2017	18/06/2021	Resolution of Shareholders at General Meeting
MS MARÍA HELENA ANTOLÍN RAYBAUD		Independent	Director	26/03/2010	29/03/2019	Resolution of Shareholders at General Meeting
MS SARA DE LA RICA GOIRICELAYA		Independent	Director	29/03/2019	29/03/2019	Resolution of Shareholders at General Meeting
MR FRANCISCO MARTÍNEZ CÓRCOLES		Other external	Director	31/03/2017	18/06/2021	Resolution of Shareholders at General Meeting
MR XABIER SAGREDO ORMAZA		Independent	Director	08/04/2016	29/03/2019	Resolution of Shareholders at General Meeting
MR MANUEL MOREU MUNAIZ		Independent	Director	17/02/2015	29/03/2019	Resolution of Shareholders at General Meeting
MR JOSÉ IGNACIO SÁNCHEZ GALÁN		Executive	Chairman/CEO	21/05/2001	29/03/2019	Resolution of Shareholders at General Meeting



MR IÑIGO VÍCTOR DE ORIOI IBARRA		Other external	Director	26/04/2006	02/04/2020	Resolution of Shareholders at General Meeting
MR ANTHONY L. GARDNER		Independent	2 nd Vice-Chair	13/04/2018	13/04/2018	Resolution of Shareholders at General Meeting
MS NICOLA MARY BREWER		Independent	Director	02/04/2020	02/04/2020	Resolution of Shareholders at General Meeting
MS REGINA HELENA JORGE NUNES		Independent	Director	02/04/2020	02/04/2020	Resolution of Shareholders at General Meeting
MR ÁNGEL JESÚS ACEBES PANIAGUA		Independent	Director	20/10/2020	18/06/2021	Resolution of Shareholders at General Meeting
MS MARÍA ÁNGELES ALCALÁ DÍAZ		Independent	Director	26/10/2021	26/10/2021	Interim appointment (co-option)
MS ISABEL GARCÍA TEJERINA		Independent	Director	16/12/2021	16/12/2021	Interim appointment (co-option)

Total number of directors	14
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Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name or company name of director	Category of the director at the time of cessation	Date of last appointment	Date of cessation	Specialised committees of which he/she was a member	Indicate whether the director left before the end of his or her term of office
MR JOSÉ WALFREDO FERNÁNDEZ	Independent	29/03/2019	06/08/2021	Audit and Risk Supervision Committee	YES
MS SAMANTHA BARBER	Other External	02/04/2020	26/10/2021	Sustainable Development Committee	YES



<p>Reason for cessation when this occurs before the end of the term of office and other observations; information on whether the director has sent a letter to the remaining members of the board and, in the case of cessation of non-executive directors, explanation or opinion of the director dismissed by the general meeting</p>
<p>Mr José Walfredo Fernández and Ms Samantha Barber resigned because both took up new duties outside of the Company incompatible with the position of director.</p> <p>Mr José Walfredo Fernández sent a letter to the chairman of the Board of Directors explaining the reasons for his cessation of office. Ms Samantha Barber gave appropriate explanations to all the directors at the 26 October 2021 meeting of the Board of Directors.</p>

C.1.3 Complete the following tables on the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or company name of director	Post in organisation chart of the company	Profile
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	Chairman & CEO	<p>Salamanca, Spain, 1950.</p> <p><u>Other current positions and professional activities</u></p> <p>He is the chairman of the boards of directors of the country subholding companies of the Iberdrola group in the United Kingdom (Scottish Power Ltd.), the United States (Avangrid, Inc., a NYSE-listed company) and Brazil (Neoenergia, S.A., a company listed on the BOVESPA).</p> <p>He is a member of the group of top utility executives of the World Economic Forum (Davos), which he has chaired, of the Steering Committee of the European Round Table of Industrialists and of the J.P. Morgan International Council, and chairman of the Renewable Hydrogen Coalition.</p> <p><u>Academic training</u></p> <p>He graduated as an Industrial Engineer from the Technical Engineering School of Universidad Pontificia Comillas (Madrid).</p> <p>He has received honorary doctorate degrees from the universities of Salamanca, Edinburgh, and Strathclyde (Glasgow). He has been on the faculty of Escuela Técnica Superior de Ingeniería (ICAI), and is currently a visiting professor at the University of</p>



		<p>Strathclyde, chairman of the Social Council of the University of Salamanca, a member of the Dean’s Advisory Council of the Massachusetts Institute of Technology (MIT) and a trustee of the Comillas-ICAI University Foundation.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He has served as chief operating officer of Industria de Turbo Propulsores, S.A. (ITP) and as chairman of the European aerospace consortium Eurojet, headquartered in Germany. He has also held various positions at Sociedad Española del Acumulador Tudor, S.A. (now, Exide Group), engaged in the manufacture and sale of batteries.</p> <p><u>Noteworthy experience in other industries</u></p> <p>He has been chief executive officer of Airtel Móvil, S.A. (now, Vodafone España, S.A.U.) and a member of the Supervisory Board of Nutreco Holding N.V., a listed company in The Netherlands, active in the food industry.</p> <p><u>Other information</u></p> <p>Amongst other recognitions, in 2020 he received the Management Leadership Award of the Spanish Association for Quality (AEC) and the Economic Personality of the Year Award from elEconomista. In 2019 he was selected as one of the five best-performing CEOs in the world and the top in the utilities sector by Harvard Business Review, and he was recognised by Bloomberg as one of the 30 most influential leaders in the fight against climate change.</p> <p>That year he also received the National Innovation and Design Award in the Innovative Career category from the Spanish Ministry of Science, Innovation and Universities, an Honourable Mention for his professional career from the Colegio Oficial de Ingenieros Industriales de Madrid, and the designation of Universal Spaniard by Fundación Independiente.</p>
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		<p>In 2018 he was appointed as an Honorary Member of the Spanish Institute of Engineering.</p> <p>In 2017 he was named Best Chief Executive Officer (CEO) within the utilities category (for the eleventh time) by the Institutional Investor Research Group.</p> <p>In 2014 he was distinguished by Queen Elizabeth II with the title Commander of the Most Excellent Order of the British Empire and received the international Responsible Capitalism award from the First Group.</p> <p>In 2011 he was named Best CEO of European utilities and of Spanish listed companies in investors relations, according to the Thomson Extel Survey.</p> <p>In 2008 he was named Business Leader of the Year by the Spain-U.S. Chamber of Commerce and was awarded the 2008 International Economy Prize by Fundación Cristóbal Gabarrón.</p> <p>In 2006 he was named Best CEO of the Year at the Platts Global Energy Awards.</p> <p>He was given the Award for Best CEO in Investor Relations by IR Magazine for three years in a row (2003-2005).</p>
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Total number of executive directors	1
Percentage of Board	7.14

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of the significant shareholder represented by the director or that nominated the director	Profile
No data		

EXTERNAL INDEPENDENT DIRECTORS



Name or company name of director	Profile
<p>MR JUAN MANUEL GONZÁLEZ SERNA</p>	<p>Madrid, Spain, 1955.</p> <p><u>Other current positions and professional activities</u></p> <p>He is the chairman of Cerealto Siro Foods, a business group in the food sector, and a member of the Governing Board of the Spanish Commercial Coding Association (<i>Asociación Española de Codificación Comercial</i>) (AECOC). He is also a member of the board of directors of the HM Hospitales Group. He is chairman of Tuero Medioambiente, S.L. and manager of Tuero Portugal Unipessoal Lda. He is a director of CO2 Revolution, S.L.</p> <p><u>Academic training</u></p> <p>He has a degree in Law, Economics and Business Studies from the Instituto Católico de Administración y Dirección de Empresas (ICADE) of the Universidad Pontificia Comillas (Madrid) and a Master's in Business Administration (MBA) from the Escuela de Dirección del Instituto de Estudios Superiores de la Empresa (IESE Business School) of the University of Navarra in Barcelona.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He has been an independent director of Iberdrola España, S.A. (Sociedad Unipersonal) and of Iberdrola Renovables, S.A., as well as chair of the Appointments and Remuneration Committee of the latter company.</p> <p><u>Noteworthy experience in other industries</u></p> <p>He is a member of the advisory board of Rabobank in Spain and Europe and has been a member of the board of Banco Urquijo Sabadell Banca Privada, S.A. and of Sociedad para el Desarrollo Industrial de Castilla y León, Sociedad de Capital Riesgo, S.A. (SODICAL, now Ade Capital Social, Sociedad de Capital Riesgo de Régimen Común, S.A.).</p> <p>He is a founding trustee and chairman of Fundación Grupo SIRO as well as a member of the Executive Committee and trustee of Fundación SERES, an honorary member of the General Assembly of the Spanish Paralympics Committee, a trustee of the Fundación Casa Ducal de Medinaceli, and honorary president of Empresa Familiar de Castilla y León.</p>
<p>MS MARÍA HELENA ANTOLÍN RAYBAUD</p>	<p>Toulon, France, 1966.</p>



	<p><u>Other current positions and professional activities</u></p> <p>She is vice-chair of the Board of Directors and member of the Management Committee of Grupo Antolín Irausa, S.A. She is also a member of the Management Board of the Spanish Association of Automotive Equipment and Component Manufacturers (<i>Asociación Española de Fabricantes de Equipos y Componentes para Automoción</i>) (Sernauto), vice president of the Excellence in Management Club (<i>Club de Excelencia en la Gestión</i>), a member of the Madrid and Central Spain Territorial Advisory Board of SabadellUrquijo Banca Privada, a member of the Executive Committee of the Spanish Confederation of Business Organisations (<i>Confederación Española de Organizaciones Empresariales</i>) (CEOE), a board member of France Foreign Trade (<i>Comercio Exterior de Francia</i>), Spain section, and a member of the Plenary Committee of the Spanish Chamber of Commerce.</p> <p><u>Academic training</u></p> <p>Degree in International Business and Business Administration from Eckerd College, St. Petersburg, Florida (United States), and a Master of Business Administration from Anglia University, Cambridge (United Kingdom) and from Escuela Politécnica de Valencia (Spain).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has served as an external independent director of Iberdrola Renovables, S.A. and a member of its Related-Party Transactions Committee.</p> <p>She has been in charge of the corporate Industrial and Strategy Divisions of Grupo Antolín Irausa, S.A., where she has also been a director of Human Resources and the head of Total Quality.</p> <p><u>Noteworthy experience in other industries</u></p> <p>She has been a member of the Advisory Board of SabadellUrquijo Banca Privada.</p>
<p>MS SARA DE LA RICA GOIRICELAYA</p>	<p>Bilbao, Spain, 1963.</p> <p><u>Other current positions and professional activities</u></p> <p>She is a director of Fundación ISEAK (Initiative for Socio-economic Analysis and Knowledge), a</p>



	<p>member of the Think Tank of AMETIC (<i>Asociación Multisectorial de Empresas de la Electrónica, las Tecnologías de la Información y la Comunicación, de las Telecomunicaciones y de los Contenidos Digitales</i>), and an honorary member of the Spanish Economics Association (<i>Asociación Española de Economía</i>).</p> <p>She is also an associate researcher for CreAM (Centre for Research and Analysis of Migration - University College of London) and IZA (Institute of Labor Economics - Bonn).</p> <p>She is a member of the Economic Affairs Advisory Council, which advises the First Vice-President of the Government of Spain and Minister for the Economy and Digital Transformation, as well as member of the Advisory Commission to the Ministry of Work and Social Economy on the matter of Minimum Interprofessional Salary.</p> <p><u>Academic training</u></p> <p>With a PhD in Economics from the University of the Basque Country and currently a professor at this institution, she has dedicated a large portion of her professional life to the study of and search for solutions on issues such as immigration, the labour market, gender equality and poverty.</p> <p>She regularly publishes academic articles in domestic and international magazines dealing with economic issues, mainly related to labour, participates in conferences and seminars, and supervises graduate students in their dissertations.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has been a member of the Appointments Committee of Iberdrola, S.A. She has also been an independent director of Iberdrola España, S.A. (Sociedad Unipersonal), the country subholding company of the energy businesses in Spain.</p> <p><u>Noteworthy experience in other industries</u></p> <p>She has been president of the European Society for Population Economics and a member of its Executive Committee, chair of the Committee on the Situation of Women in Economics (COSME), and a member of the Economic and Social Council (CES). She has also been the secretary of the Spanish Economics Association (AEE).</p>
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	<p>She has also been a member of the Scientific Advisory Board of Fundación Gadea and of the Scientific Committee of the Basque Institute for the Evaluation of the Educational System (IVEI-ISEI). Furthermore, she has been a member of the Board of Directors of Basquetour, Turismoaren Euskal Agentzia, Agencia Vasca de Turismo, S.A., a government-owned company of the Department of Tourism, Trade and Consumption of the Basque Government, created to lead the promotion and implementation of the competitiveness strategy of Basque tourism.</p> <p>She has worked on editorial boards and/or research project review boards.</p> <p>In 2018 she was given the “2018 Basque Economist Award” (<i>Ekonomistak Saria 2018</i>) by the Basque Association of Economists (<i>Colegio Vasco de Economistas</i>).</p>
<p>MR XABIER SAGREDO ORMAZA</p>	<p>Portugalete, Spain, 1972.</p> <p><u>Other current positions and professional activities</u></p> <p>He is chair of the Board of Trustees of Bilbao Bizkaia Kutxa Fundación Bancaria-Bilbao Bizkaia Kutxa Banku Fundazioa and of BBK Fundazioa. He is also a trustee of the Biocruces Sanitary Research Institute, of the Bilbao Museum of Fines Arts and of the Guggenheim Museum Foundation, at which he also serves as a member of the Executive Committee.</p> <p>He is a member of the Board of Directors of the Orkestra Basque Institute of Competitiveness and of the Management Council of Universidad de Deusto, and is a visiting professor at various institutions.</p> <p><u>Academic training</u></p> <p>Degree in Economics and Business from Universidad del País Vasco, with a major in Finance, holder of postgraduate degrees in various areas, and certified training in information technology risks.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He has been a director of Iberdrola Generación, S.A. (Sociedad Unipersonal) and a member of its Audit and Compliance Committee.</p> <p>He was a director of Iberdrola Distribución Eléctrica, S.A. (Sociedad Unipersonal), at which he has held the position of chair of the Audit and Compliance Committee.</p>



	<p><u>Noteworthy experience in other industries</u></p> <p>He has been the director of the Expansion and Assets area of the credit institution Ipar Kutxa, managing director of the concessionaire Transitia and a member of the Board of the Bilbao Port Authority.</p> <p>In addition, he has been chair and vice-chair of the Board of Directors of Caja de Ahorros Bilbao Bizkaia Kutxa, Aurrezki Kutxa eta Bahitetxea (BBK) and chair of its Audit Committee, as well as chair of the Board of Trustees of Fundación Eragintza. In 2021 he received the “Top Talent Saria CEO” award from Grupo Noticias.</p>
<p>MR MANUEL MOREU MUNAIZ</p>	<p>Pontevedra, Spain, 1953.</p> <p><u>Other current positions and professional activities</u></p> <p>He is president of the Seaplace, S.L., sole director of H.I. de Iberia Ingeniería y Proyectos, S.L. and of Howard Ingeniería y Desarrollo, S.L., a director of Tubacex, S.A. and a member of the Spanish Committee of Lloyd’s Register EMEA.</p> <p>He is a professor of the Master’s Programme in Oil at Universidad Politécnica de Madrid (ETSIM), of the Maritime Master’s Programme of Instituto Marítimo Español and of Universidad Pontificia Comillas.</p> <p><u>Academic training</u></p> <p>Doctorate in naval engineering from Escuela Técnica Superior de Ingenieros Navales (ETSIN) of the Universidad Politécnica de Madrid, and Master’s degree in Oceanic Engineering from the Massachusetts Institute of Technology (MIT).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He has been a member of the Sustainable Development Committee of Iberdrola, S.A., of the Board of Directors of Iberdrola Renovables, S.A. and a director and member of the Audit and Compliance Committee of Gamesa Corporación Tecnológica, S.A. (now Siemens Gamesa Renewable Energy, S.A.).</p> <p><u>Noteworthy experience in other industries</u></p> <p>He has been a member of the board of Metalships and Docks, S.A., Neumáticas de Vigo, S.A. and Rodman Polyships, S.A., dean of the</p>



	<p>Colegio Oficial de Ingenieros Navales y Oceánicos de Madrid y de España, president of the Spanish Institute of Engineering, and a professor of the Escuela Técnica Superior de Ingenieros Navales of the Universidad Politécnica de Madrid and for the Repsol’s Master’s programme in Oil.</p>
<p>MR ANTHONY L. GARDNER</p>	<p>Washington D.C., United States, 1963.</p> <p>On 26 October 2021, he was appointed Second Vice-Chair of the Board of Directors.</p> <p><u>Other current positions and professional activities</u></p> <p>He is Managing Partner of Brookfield Partners Private Equity Group, senior adviser of Brunswick Group, LLP and a member of the advisory boards of the Centre for European Reform, the German Marshall Fund and the European Policy Centre.</p> <p><u>Academic training</u></p> <p>He studied Government at Harvard University and International Relations at the University of Oxford.</p> <p>He holds a Juris Doctor degree from Columbia Law School and a Masters in Finance from London Business School.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He has been a member of the Sustainable Development Committee of Iberdrola, S.A. He has also been an independent director of Scottish Power, Ltd and a member of that company’s Audit and Compliance Committee.</p> <p><u>Noteworthy experience in other industries</u></p> <p>He was the US ambassador to the European Union from 2014 to 2017. Prior to that appointment, for six years he was the managing director at Palamon Capital Partners, a private equity firm based in London. He was also the director of one of the finance departments of Bank of America and of GE Capital, as well as director in the international acquisitions group of GE International. He has worked as an attorney at international law firms in London, Paris, New York and Brussels.</p> <p>He has dedicated more than twenty years of his career to US-European affairs, as a government official, lawyer and investor. As Director for European Affairs on the National Security Council (1994-1995), he worked closely with the US</p>



	<p>Mission to the European Union to launch the New Transatlantic Agenda.</p> <p>He previously worked with the Treuhandanstalt (German Privatisation Ministry) in Berlin, the Stock Exchange Operations Committee in Paris and as secondee for the European Commission in Brussels.</p> <p>He was also a senior advisor of the law firm Sidley Austin LLP, and of the Bill & Melinda Gates Foundation.</p>
<p>MS NICOLA MARY BREWER</p>	<p>Taplow, United Kingdom, 1957</p> <p><u>Other positions and professional activities</u></p> <p>Trustee of the charity organisation Sentebale.</p> <p><u>Academic training</u></p> <p>Was educated at the Belfast Royal Academy and read English at the University of Leeds, graduating with a BA in 1980, then taking a Doctorate in linguistics in 1988. Granted an Honorary Doctorate of Laws from the University of Leeds in 2009.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has held the position of independent director at Scottish Power Ltd., the country subholding company of the energy businesses in the United Kingdom.</p> <p>She was also a non-executive director of Aggreko plc.</p> <p><u>Noteworthy experience in other industries</u></p> <p>She was a diplomat until 2014, having been the Founding Director of the Diplomatic Academy of the Foreign and Commonwealth Office (“FCO”) of the British government.</p> <p>In 2009, she succeeded Mr Paul Boateng as British High Commissioner to South Africa, Swaziland and Lesotho, completing her mission in September 2013.</p> <p>In December 2006, she was appointed by open competition as the first Chief Executive of the newly established Equality and Human Rights Commission, the successor body to the Commission for Racial Equality, the Disability Rights Commission and the Equal Opportunities Commission, taking up her new position in 2007 and standing down in 2009.</p>



	<p>In 2004, she was appointed Director-General for Europe at the FCO, leading the FCO’s contribution to the UK’s 2005 Presidency of the European Union, advising the Foreign Secretary and the Minister on the European Union and other European policy issues.</p> <p>She served as the FCO’s Director for Global Issues from 2001 to 2002, and then as Director-General for Regional Programmes at the Department for International Development (DfID), the DfID board member supervising the UK’s overseas bilateral aid programmes.</p> <p>She joined the FCO in 1983, completing overseas postings in South Africa, India, France and Mexico.</p> <p>She was appointed Companion of the Order of St Michael and St George (CMG) in the 2003 New Year Honours and Dame Commander of the Order of St Michael and St George (DCMG) in the 2011 Birthday Honours.</p> <p>She was vice-provost (international) at University College London from 2014 to 2020.</p>
<p>MS REGINA HELENA JORGE NUNES</p>	<p>São Paulo, Brazil, 1965</p> <p><u>Other current positions and professional activities</u></p> <p>She is the founder and CEO of RNA Capital. She is also an independent director of IRB-Brasil Resseguros S.A. and coordinator-chair of its Risk and Solvency Committee.</p> <p><u>Academic training</u></p> <p>Degree in Business Administration from Mackenzie University. She attended courses in Trade Finance and Corporate Finance at the School of Continuing Studies at New York University, Leadership at Columbia University and International, Global and Multinational Business Development at INSEAD Fontainebleau.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has held the position of independent director at Neoenergia S.A., the country subholding company of the energy businesses in Brazil.</p> <p>She has been an independent director and member of the audit committee of Companhia Distribuidora de Gás do Rio de Janeiro (CEG), the main activity of which is the distribution and</p>



	<p>retail sale of natural gas in the State of Rio de Janeiro (Brazil).</p> <p><u>Noteworthy experience in other industries</u></p> <p>She has more than 30 years of experience in the domestic and international financial market.</p> <p>She has been a member of the Risk and Capital Committee of Bank of Brasil and of the Investments, Capital Structure and Dividend Committee of IRB-Brasil Resseguros, S.A.</p> <p>She has been a member of the advisory board of Mercado Eletrônico, a company dedicated to electronic B2B commerce.</p> <p>She served for 20 years at S&P Global Ratings. She was president of operation in Brazil and Argentina, and was Head of the Southern Cone in Latin America, Deputy-Head in Latin America, board member of BRC Ratings (Colombia) and head of Global Development Markets.</p> <p>Before joining S&P, she also worked at other financial institutions such as Chase Manhattan and Citibank in the areas of credit and risk analysis. At the Commercial Bank of New York, she led the Correspondent Banking and Risk (Trade Finance) Areas focused on Latin America.</p> <p>For three years, she was an independent consultant in Brazil, having worked on privatisation programmes, investments of international funds in the Brazilian market, M&A and financial engineering projects.</p>
<p>MR ÁNGEL JESÚS ACEBES PANIAGUA</p>	<p>Ávila, Spain, 1958</p> <p><u>Other current positions and professional activities</u></p> <p>He is chairman and founding partner of MA Abogados Estudio Jurídico, S.L.P., as well as sole director and professional partner of Doble A Estudios y Análisis, S.L.P. and managing partner of Michavila Acebes Abogados, S.L.P. He is also a trustee of Fundación para el Análisis y Estudios Sociales (FAES) and of Fundación Universitaria Teresa de Ávila.</p> <p><u>Academic training</u></p> <p>Degree in Law from Universidad de Salamanca.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>As a lawyer, he has advised companies in the energy and the industrial and technology sectors, among others.</p>



	<p>From 2012 to 2019 he was an independent director of Iberdrola, S.A. (during part of that period, he was also a member of the Executive Committee and of the Appointments Committee).</p> <p>After the IPO flotation of Bankia, S.A., he was a director of Banco Financiero y de Ahorros, S.A. ("BFA"), acting as chairman of its Audit and Compliance Committee.</p> <p>He also has significant knowledge of the regulatory area due to his work as a member of the Council of Ministers of the Government of Spain, a senator and a national deputy.</p> <p><u>Noteworthy experience in other industries</u></p> <p>He has served on the board of Caja Madrid Cibeles, S.A., which manages the investments of Grupo Caja Madrid in other companies with activities in the financial and insurance sectors, as well as the retail banking sector outside of Spain.</p> <p>In the institutional arena, he has been Minister for Public Administrations, Minister of Justice, and Minister of the Interior of the Spanish Government.</p>
MS MARÍA ÁNGELES ALCALÁ DÍAZ	<p>Albacete, Spain, 1962.</p> <p><u>Other current positions and professional activities</u></p> <p>She is a Professor of Commercial Law at the University of Castilla-La Mancha and is Of Counsel to the law firm "Ramón y Cajal Abogados, S.L.P."</p> <p><u>Academic training</u></p> <p>Degree in Law. Ph.D. in Commercial Law from the University of Castilla-La Mancha.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has been an independent director of "Iberdrola España, S.A." (Sociedad Unipersonal) and of "Neoenergía, S.A."</p> <p><u>Noteworthy experience in other industries</u></p> <p>She has held several positions at the University of Castilla-La Mancha, including vice-chancellor for student affairs and general secretary, and is currently a professor of Commercial Law at that university.</p>



	<p>She has been a visiting researcher at German universities and has been invited to participate in conferences and to lecture for undergraduate, postgraduate, master’s and doctoral degrees at Spanish and foreign universities and research institutes.</p> <p>She served as Director General of Registries and Notaries of the Ministry of Justice from 2009 to 2011, and since 2013 has advised large companies in her capacity as Of Counsel to the law firm “Ramón y Cajal Abogados, S.L.P.”</p> <p>She is the author of a large number of monographs, articles published in specialised publications and collective books on subjects like banking law, registry law, organisation and management of SMEs, contract and commercial distribution law, bankruptcy law, etc., with a high degree of specialisation in company law, the law applicable to listed companies, corporate governance and the stock market.</p>
<p>MS ISABEL GARCÍA TEJERINA</p>	<p>Valladolid, Spain, 1968</p> <p><u>Other current positions and professional activities</u></p> <p>She is a Senior Advisor at “Ernst & Young España, S.A.” for sustainability issues and the agri-food sector.</p> <p>She is also an independent director of “Primafrío, S.L.”, the chair of its Innovation and Sustainability Committee, and a member of its Audit Committee.</p> <p>She is an independent director of “Avanza Previsión Compañía de Seguros, S.A.” and a member of its Audit Committee.</p> <p><u>Academic training</u></p> <p>Degree in Agricultural Engineering from the Polytechnic University of Madrid and degree in Law from the University of Valladolid.</p> <p>She has a Master’s degree in European Communities from the Polytechnic University of Madrid, as well as a Master’s degree in Agricultural Economics from the University of California (Davis).</p> <p>She also attended the Global Senior Management Programme of the Instituto de Empresa and the University of Chicago Graduate School of Business.</p>



	<p>Finally, she participated in the High-Level Business Energy Course (<i>Curso Superior de Negocio Energético</i>) organised by the Club Español de la Energía.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>She has been an independent director of the group’s country subholding company in Brazil, “Neoenergía, S.A.”, and a member of its Finance, Audit, Remuneration and Succession committees, as well as chair of the Sustainability Committee.</p> <p>She has been the Director of Strategic Planning at the chemical fertiliser company “Fertiberia, S.A.”, a member of the board of the Algerian fertiliser manufacturing company “Fertial SPA” and of “Sociedad Estatal de Infraestructuras Agrarias del Norte, S.A.”, as well as a member of the Governing Board of the Spanish Ports System (<i>Puertos del Estado</i>).</p> <p><u>Noteworthy experience in other industries</u></p> <p>She was Minister of Agriculture, Fisheries, Food and Environment of the Spanish Government between 2014 and 2018 and, prior to that, Secretary General for Agriculture and Food, during which time she participated in and led numerous complex European negotiations.</p> <p>In particular, as Minister of Agriculture, Fisheries, Food and Environment, she was responsible for the national climate change policy and for international negotiations in this field, having participated in several United Nations Climate Summits, including the Paris Summit in December 2015.</p> <p>She was vice-chair of the High-level Inter-Ministerial Working Group on the 2030 Agenda.</p> <p><u>Other information</u></p> <p>She was awarded the Grand Cross of Charles III and was distinguished with the title of Commander of the Order of Agricultural Merit of France.</p>
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Total number of independent directors	11
Percentage of Board	78.57



Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Reasoned statement
No data		

OTHER EXTERNAL DIRECTORS

Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders:

Name or company name of director	Reasons	Company, manager or shareholder to which or to whom the director is related	Profile
MR IÑIGO VÍCTOR DE ORIOL IBARRA	More than 12 years have passed since appointment	IBERDROLA	<p>Madrid, Spain, 1962.</p> <p><u>Academic training</u></p> <p>Bachelor of Arts in International Business from Schiller International University (Madrid), a graduate of the Executive Corporate Management Programme of IESE Business School, and Certified European Financial Analyst (CEFA) from Instituto Español de Analistas Financieros.</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He has been chair of Electricidad de La Paz, S.A. (Bolivia), of Empresa de Luz y Fuerza Eléctrica de Oruro, S.A. (Bolivia) and of Iberoamericana de Energía Ibener, S.A. (Chile), as well as a member of the board of Empresa de Alumbrado</p>



			<p>Eléctrico de Ceuta, S.A., Neoenergia S.A. (Brazil) and of Empresa Eléctrica de Guatemala, S.A.</p> <p>He has also been a member of the Appointments Committee and of the Sustainable Development Committee of Iberdrola, S.A., director of Corporate Governance for the Americas of Iberdrola, S.A., director of Management Control at Amara, S.A., and a financial analyst in the Financial Division and the International Division of Iberdrola, S.A.</p> <p><u>Noteworthy experience in other industries</u></p> <p>He has been chair of Empresa de Servicios Sanitarios de Los Lagos, S.A. (ESSAL) in Chile.</p>
MR FRANCISCO MARTÍNEZ CÓRCOLES	Ceased to hold office as Business CEO effective 1 November 2021.	IBERDROLA	<p>Alicante, Spain, 1956.</p> <p><u>Other current positions and professional activities</u></p> <p>He is a Member of Merit of the National Association of Engineers of the Escuela Técnica Superior de Ingeniería (ICAI).</p> <p><u>Academic training</u></p> <p>Industrial Engineer specialising in Electricity from the ICAI (Universidad Pontificia Comillas, Madrid) and Master in Business Management from IESE Business School (Universidad de Navarra).</p> <p><u>Noteworthy experience in the energy and industrial engineering sector</u></p> <p>He spent his professional career at Compañía Sevillana de Electricidad, S.A. until joining Hidroeléctrica Española, S.A., and then, after the</p>



		<p>merger with Iberduero, S.A., Iberdrola, S.A., where he has been director of the Production Market, director of the Wholesale Energy Markets Business Unit, and general director of the Liberalised Energy Business of the group, with overall responsibility for all of the Wholesale, Retail and Energy Management businesses of the Iberdrola group.</p> <p>In June 2014 he was appointed Business CEO of the Iberdrola group, with overall responsibility for all of the group's businesses worldwide.</p> <p>He has been Business CEO of Iberdrola, S.A. and chairman of Iberdrola España, S.A. and of Iberdrola Energía Internacional, S.A. (Sociedad Unipersonal), as well as a director of Iberdrola México, S.A. de C.V.</p> <p>He has held the position of chairman of Elektro Holding, S.A., of Iberdrola Generación, S.A. (Sociedad Unipersonal), of Iberdrola Generación México, S.A. de C.V. and of Scottish Power Generation Holdings Ltd. and has been a member of the board of Compañía Operadora del Mercado Eléctrico Español, S.A., Elcogas, S.A. and Iberdrola Ingeniería y Construcción, S.A. (Sociedad Unipersonal).</p> <p>He was also a member of the Board of Directors of the Spanish Electric Industry Association (<i>Asociación Española de la Industria Eléctrica</i>) (UNESA).</p> <p><u>Noteworthy experience in other industries</u></p>
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			<p>He began his professional career at the Systems Division of Arthur Andersen.</p> <p>He has been a member of the advisory board of the International University of Bremen (Germany) and vice president of the Energy and Natural Resources Committee of the Spanish Institute of Engineering.</p> <p><u>Other information</u></p> <p>He has been awarded the Javier Benjumea Prize of the National Association of Engineers of ICAI in its XVII edition and the Gold Medal of the Spanish Nuclear Society.</p>
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Total number of other external directors	2
Percentage of Board	14.29

Indicate any changes that have occurred during the period in each director's category:

Name or company name of director	Date of change	Previous category	Current category
MR FRANCISCO MARTÍNEZ CÓRCOLES	01-11-2021	Executive	Other external

Observations
The change in category is due to his resignation as Business CEO effective 1 November 2021.

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past four years, as well as the category of each:

	Number of female directors				% of total directors for each category			
	Year 2021	Year 2020	Year 2019	Year 2018	Year 2021	Year 2020	Year 2019	Year 2018
Executive	0	0	0	0	0.00	0.00	0.00	0.00
Proprietary	0	0	0	0	0.00	0.00	0.00	0.00
Independent	6	4	5	4	54.54	40.00	50.00	44.00
Other External	0	1	1	1	0.00	50.00	50.00	50.00
Total:	6	5	6	5	42.86	35.71	42.86	35.71



C.1.5 Indicate whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, education and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Auditing Act, will have to report at least the policy that they have implemented in relation to gender diversity.

Yes No Partial policies

If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been applied, and results achieved
<p>The Company's Governance and Sustainability System, and particularly the Board of Directors Diversity and Member Selection Policy, provides that any type of bias entailing any kind of discrimination shall be avoided in the candidate selection process, as well as the commitment of the Board of Directors to assess various candidates during the selection process whose appointment favours a diversity of skills, knowledge, experience, origin, age and gender among the directors.</p> <p>The Regulations of the Appointments Committee give this committee the duty to regularly review, evaluate compliance with, and propose the amendment of the Board of Directors Diversity and Member Selection Policy. Furthermore, pursuant to the Board of Directors Diversity and Member Selection Policy, the Board also has the power to periodically evaluate the level of compliance with and effectiveness of this policy, in order to assess the usefulness thereof.</p> <p>As part of this review, the Appointments Committee considered it appropriate to amend the Board of Directors Diversity and Member Selection Policy in order to conform it to the new legal provisions introduced by Law 5/2021 of 12 April, among other purposes. The proposal was approved by the Board of Directors in April 2021.</p> <p>One of the objectives included in the Board of Directors Diversity and Member Selection Policy is that by 2022 the number of female directors should represent at least forty per cent of the total number of members of the Board of Directors, which objective was met on 16 December 2021 as a result of the actions described below.</p>



The Board of Directors has a diverse composition in terms of professional backgrounds and nationalities. Six of the fourteen members of the Board of Directors are currently women. Two of them chair two of the four consultative committees.

The shareholders at the General Shareholders' Meeting held on 26 March 2010 approved the appointment of Ms María Helena Antolín Raybaud with the classification of independent director. She is chair of the Appointments Committee.

The shareholders acting at the General Shareholders' Meeting held on 29 March 2019 approved the appointment of Ms Sara de la Rica Goiricelaya, with the classification of independent director. She is currently the chair of the Sustainable Development Committee.

The shareholders acting at the General Shareholders' Meeting held on 2 April 2020 approved the appointment of Ms Nicola Mary Brewer and Ms Regina Helena Jorge Nunes as independent directors.

On 26 October 2021, María Ángeles Alcalá Díaz was appointed on an interim basis (co-option procedure) as an independent director, and became a member of the Audit and Risk Supervision Committee.

Finally, on 16 December 2021, Isabel García Tejerina was appointed on an interim basis (co-option procedure) as an independent director, and became a member of the Sustainable Development Committee.

At 31 December 2021, women constituted 42.86% of the Board of Directors. Therefore, meeting the objective set in this regard has been met.

- C.1.6 Describe the measures, if any, agreed upon by the nomination committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes – women who meet the target professional profile among potential candidates, making it possible to achieve a balance between men and women. Also indicate whether these measures include encouraging the company to have a significant number of female senior executives:

Explanation of measures
The Board of Directors Diversity and Member Selection Policy ensures that the proposed appointments of directors are based on a prior analysis of the needs of the Board of Directors. In particular, the candidates must be respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability and commitment to their duties. In particular, they must be irreproachable professionals, whose conduct and professional track



record is aligned with the principles set forth in the Code of Ethics and with the corporate values contained in the Purpose and Values of the Iberdrola group.

In the selection of candidates, it also endeavours to ensure a diverse and balanced composition of the Board of Directors overall, such that decision-making is enriched and multiple viewpoints are contributed to the discussion of the matters within its purview. To this end, the selection process shall promote a search for candidates with knowledge and experience in the main countries and sectors in which the group does or will do business. The directors must also have sufficient knowledge of the Spanish and English languages to be able to perform their duties.

In turn, the Regulations of the Appointments Committee give this committee the responsibility of ensuring that when new vacancies are filled or new directors are appointed, the selection procedures are free from any implied bias entailing any kind of discrimination and, in particular, from any bias that might hinder the selection of female directors.

As shown in the previous section, Iberdrola deliberately seeks to include women with the appropriate professional profile among potential candidates.

Furthermore, the basic principles of the Equality, Diversity and Inclusion Policy include the promotion of gender equality within the group, in compliance with the laws in force in each country, and following international best practices, as well as the provisions in this regard of goal five of the Sustainable Development Goals (SDGs) approved by the United Nations, particularly as regards access to employment, professional training and promotion, and working conditions.

It should be noted that the benchmark objectives for the variable remuneration of the executive directors include increasing the presence of women in top positions and closing the pay gap. Along these lines, section C.1.14 of this Report shows that the percentage of top female executives exceeded 27% in 2021. Furthermore, the pay gap is one of the parameters used to determine the calculation of the long-term variable remuneration approved of the executive directors, management personnel and other professionals of Iberdrola, specifically, the 2020-2022 Strategic Bonus approved by the shareholders at the General Shareholders' Meeting held on 2 April 2020. The pay gap is defined as the difference between the average remuneration of men and women working at Iberdrola, S.A. and the companies of its group. And remuneration is considered to be the full-time equivalent annualised salary at 31 December 2020, 2021 and 2022, plus the variable remuneration received during the corresponding year. The final calculation date is 31 December 2022. The Board of Directors performs this evaluation upon a proposal of the Remuneration Committee, and the



level of performance is expected to be determined during the first half of 2023.

The annual work plan of the Remuneration Committee for financial year 2019 included analysis and monitoring of the pay gap. This activity will continue until financial year 2023 in order to assess the level of performance against the indicators set out in the 2020-2023 Strategic Bonus.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

Explanation of reasons
Not applicable

- C.1.7 Explain the conclusions of the nomination committee regarding verification of compliance with the policy aimed at promoting an appropriate composition of the Board of Directors.

The Appointments Committee believes that Iberdrola is applying the Board of Directors Diversity and Member Selection Policy in a fully consistent manner and that the composition of its Board of Directors is balanced and diverse. Particularly noteworthy is the fact that 42.86% of the directors are female.

- C.1.8 If applicable, explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name or company name of shareholder	Reason
No data	

Indicate whether the Board has declined any formal requests for presence on the Board from shareholders whose equity interest is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why the requests were not granted:

Yes No

- C1.9 Indicate the powers, if any, delegated by the Board of Directors, including those relating to the option of issuing or re-purchasing shares, to directors or board committees:

Name or company name of director or committee	Brief description
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	The chairman & CEO, as an individual decision-making body, has all the powers that may be



	delegated under the law and the By-Laws.
Executive Committee	All the powers inherent to the Board of Directors, except for those powers that may not be delegated pursuant to law or the Governance and Sustainability System, including the ability to issue or repurchase shares (as approved by the shareholders at the General Shareholders' Meeting).

C.1.10 Identify any members of the Board who are also directors, representatives of directors or managers in other companies forming part of the listed company's group:

Name or company name of director	Company name of the group entity	Position	Does the director have executive powers?
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	AVANGRID, INC.	Chair	No
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	NEOENERGIA S.A.	Chair	No
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	SCOTTISH POWER LTD.	Chair	No

C.1.11 List the positions of director, administrator or representative thereof, held by directors or representatives of directors who are members of the company's board of directors in other entities, whether or not they are listed companies:

Identity of the director or representative	Company name of the listed or non-listed entity	Position
MR JUAN MANUEL GONZÁLEZ SERNA	GSU Found, S.L. (Grupo Cerealto Siro)	Joint and several director
	Tuero Medioambiente, S.L.	Chair
	CO2 Revolution, S.L.	Director
	HM Hospitales 1989, S.A.	Director
MS MARÍA HELENA ANTOLÍN RAYBAUD	Grupo Antolín Irauza, S.A.	Vice-Chair
MR MANUEL MOREU MUNAIZ	Seaplace, S.L.	Chair
	H.I. de Iberia Ingeniería y Proyectos, S.L.	Sole Director



	Howard Ingeniería y Desarrollo, S.L.	Sole Director
	TUBACEX, S.A.	Director
MR XABIER SAGREDO ORMAZA	Bilbao Bizkaia Kutxa Fundación Bancaria - Bilbao Bizkaia Kutxa Banku Fundazioa	Chair
	BBK Fundazioa	Chair
	ORKESTRA-Basque Institute of Competitiveness	Director
	Universidad de Deusto	Director
MS NICOLA MARY BREWER	Sentebale	Director
MS REGINA HELENA JORGE NUNES	IRB-Brasil Resseguros S.A.	Director
MR ÁNGEL JESÚS ACEBES PANIAGUA	MA Abogados Estudio Jurídico, S.L.P.	Director
	Doble A Estudio y Análisis, S.L.P.	Sole Director
MS MARÍA ÁNGELES ALCALÁ DÍAZ	UCLM-Emprende, S.L.U.	Director
MS ISABEL GARCÍA TEJERINA	Avanza Previsión Compañía de Seguros, S.A.	Director
	Primafrío, S.L.	Director

Observations
<p>The positions described above for which the directors receive remuneration are specified below:</p> <ul style="list-style-type: none"> - Mr Juan Manuel González Serna: joint and several administrator of GSU Found, S.L. (Grupo Cerealto Siro). - Ms María Helena Antolín Raybaud: vice-chair of Grupo Antolín Irauzza, S.A. - Mr Manuel Moreu Munaiz: president of Seaplace, S.L.; director de Tubacex, S.A. - Mr Xabier Sagredo Ormaza: chair of Bilbao Bizkaia Kutxa Fundación Bancaria - Bilbao Bizkaia Kutxa Banku Fundazioa. - Ms Regina Helena Jorge Nunes: director of IRB-Brasil Resseguros S.A. and Coordinator/Chair of its Risk and Solvency Committee. - Mr Ángel Jesús Acebes Paniagua: sole director of Doble A Estudio y Análisis, S.L.P. - Ms Isabel García Tejerina: director of Avanza Previsión Compañía de Seguros, S.A. and of Primafrío, S.L.



The profiles of the members of the Board of Directors available in section C.1.3 of this Report show other non-remunerated positions that have not been included in the preceding table because they are not provided for in the drop-down list of the form.

Indicate, where appropriate, the other remunerated activities of the directors or directors' representatives, whatever their nature, other than those indicated in the previous table.

Identity of the director or representative	Other paid activities
MS MARÍA HELENA ANTOLÍN RAYBAUD	Member of the Territorial Advisory Board of SabadellUrquijo Banca Privada de Madrid y Centro de España.
MS SARA DE LA RICA GOIRICELAYA	Director of Fundación ISEAK
	Professor of Economics at University of the Basque Country
MR MANUEL MOREU MUNAIZ	Professor of IME Comillas Master's Programme in Maritime Law
	Professor of the Master's Programme in Oil at Universidad Politécnica de Madrid.
MS REGINA HELENA JORGE NUNES	Founder and CEO of RNA Capital Ltda.
MR ANTHONY L. GARDNER	Managing Partner of Brookfield Private Equity Group
	Senior Adviser, Brunswick Group, LLP
MR ÁNGEL JESÚS ACEBES PANIAGUA	Lawyer
MS MARÍA ÁNGELES ALCALÁ DÍAZ	Of Counsel at Ramón y Cajal Abogados, S.L.P.
	Professor of Commercial Law of Universidad de Castilla-La Mancha.
MS ISABEL GARCÍA TEJERINA	Senior Advisor for sustainability issues and the agri-food sector of Ernst & Young España, S.A.
MR XABIER SAGREDO ORMAZA	Chairman of Fundación Bancaria Bilbao Bizkaia Kutxa-BBK



C.1.12 Indicate whether the company has established rules on the maximum number of company boards on which its directors may sit, explaining if necessary and identifying where this is regulated, if applicable:

Yes No

Explanation of the rules and identification of the document where this is regulated
Pursuant to the Regulations of the Board of Directors, those persons serving as directors in more than five companies, of which no more than three may have shares trading on domestic or foreign stock exchanges, may not be appointed as directors. Positions within holding companies are excluded from the calculation. Furthermore, companies belonging to the same group shall be deemed to be a single company.

C.1.13 Indicate the remuneration received by the Board of Directors as a whole for the following items:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	21,392
Funds accumulated by current directors for long-term savings systems with consolidated economic rights (thousands of euros)	
Funds accumulated by current directors for long-term savings systems with unconsolidated economic rights (thousands of euros)	
Pension rights accumulated by former directors (thousands of euros)	

Observations
This amount includes the remuneration received €5,914 thousand by all of the directors for their performance as such during financial year 2021 (fixed remuneration, attendance fees and other items) as well as salaries, annual variable remuneration and the shares received by the executive directors in payment of the second period of the 2017-2019 Strategic Bonus (Mr Francisco Martínez Córcoles stepped down as an executive director effective 1 November 2021), all of which is duly described in the Annual Director Remuneration Report.

C.1.14 Identify members of senior management who are not also executive directors and indicate their total remuneration accrued during the year:

Name or company name	Position(s)
MS SONSOLES RUBIO REINOSO	Internal Audit Director
MR SANTIAGO MARTÍNEZ GARRIDO	Director of Legal Services
MR ARMANDO MARTÍNEZ MARTÍNEZ	Business CEO
MR ASÍS CANALES ABAITUA	Director of Purchasing and Insurance
MR XABIER VITERI SOLAUN	Director of the Renewable Energy Business
MR AITOR MOSO RAIGOSO	Director of the Liberalised Business



MR JUAN CARLOS REBOLLO LICEAGA	Risk Management and Internal Assurance Director
MR PEDRO AZAGRA BLÁZQUEZ	Corporate Development Director
MR JOSÉ SAINZ ARMADA	General Finance, Control and Resources Director (CFO)
MS MARÍA DOLORES HERRERA PEREDA	Director of Compliance
MS ELENA LEÓN MUÑOZ	Director of Networks Business

Number of women in senior management	3
Percentage of total senior management	27.27%

Total remuneration of senior management (thousands of euros)	24,812

Observations
Ms Elena León Muñoz was appointed Director of the Networks Business and a member of senior management on 1 November 2021.
The amount of fixed and variable remuneration of the officers and other professionals with management responsibilities not included in IBERDROLA's senior management amounted to €131,259 thousand in 2021 (767 people) and €128,758 thousand in 2020 (757 people), affected by the exchange rate.

C.1.15 Indicate whether the Board regulations were amended during the year:

Yes No

Description of amendment(s)
As part of the process of ongoing review of Iberdrola's Governance and Sustainability System, in addition to certain technical improvements, amendments have been made to the Regulations of the Board of Directors in order to, among other things: (i) conform the text thereof to the amendments made to the By-Laws as a result of the amendments to the Companies Act, (ii) vest the Audit and Risk Supervision Committee with the power to report on related-party transactions, which power was previously vested in the Appointments Committee, and (iii) include as a power of the Board the approval and updating of a climate action plan.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.

1. APPOINTMENT AND RE-ELECTION OF DIRECTORS



The appointment, re-election, and removal of directors is within the purview of the shareholders at the General Shareholders' Meeting.

Vacancies that occur may be filled by the Board of Directors on an interim basis until the next General Shareholders' Meeting.

The Appointments Committee must advise the Board of Directors regarding the most appropriate configuration thereof and of its committees as regards size and equilibrium among the various classes of directors existing at any time. This is in any event based on the conditions that candidates for director must meet pursuant to the Board of Directors Diversity and Member Selection Policy.

The following may not be appointed as directors:

- a) Legal entities.
- b) Persons who hold the position of director or who are members of senior management of domestic or foreign companies competing with the Company in the energy industry or other industries, or such persons, if any, as are proposed by them in their capacity as shareholders.
- c) Persons serving as directors in more than five companies, of which no more than three may have shares trading on domestic or foreign stock exchanges. Positions within holding companies are excluded from the calculation. Furthermore, companies belonging to the same group shall be deemed to be a single company.
- d) Persons who, during the two years prior to their appointment, have occupied high-level positions in Spanish government administrations that are incompatible with the simultaneous performance of the duties of a director of a listed company under Spanish national or autonomous community law, or positions of responsibility with entities regulating the energy industry, the securities markets or other industries in which the group operates.
- e) Persons that are under any other circumstance of disqualification or prohibition governed by provisions of a general nature, including those that have interests in any way opposed to those of the Company or the group.

The Board of Directors and the Appointments Committee, within the scope of their powers, shall endeavour to ensure that the candidates proposed are respectable and qualified persons, widely recognised for their expertise, competence, experience, qualifications, training, availability, and commitment to their duties.



It falls upon the Appointments Committee to propose the independent directors, as well as to report upon the proposals relating to the other classes of directors.

If the Board of Directors deviates from the proposals and reports of the Appointments Committee, it shall give reasons for so acting and shall record such reasons in the minutes.

2. REMOVAL OF DIRECTORS

Directors shall serve in their position for a term of four years, so long as the shareholders acting at the General Shareholders' Meeting do not resolve to remove them and they do not resign from their position.

The Appointments Committee shall inform the Board of Directors regarding proposed removals due to breach of the duties inherent to the position of director or due to a director becoming affected by supervening circumstances of mandatory resignation or withdrawal. It may also propose the removal of directors in the event of disqualification, structural conflict of interest or any other reason for resignation or cessation of office, pursuant to law or the Governance and Sustainability System.

The Board of Directors may propose the removal of an independent director before the passage of the period provided for in the By-Laws only upon sufficient grounds, evaluated by the Board of Directors after a report from the Appointments Committee, or as a consequence of takeover bids, mergers or other similar corporate transactions resulting in a significant change in the structure of the Company's share capital, as recommended by the Good Governance Code of Listed Companies.

C.1.17 Explain to what extent the annual evaluation of the Board has given rise to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of amendment(s)
Iberdrola evaluates the operation of its governance bodies on an annual basis, and based on the conclusions obtained, identifies the principal areas of work for the next financial year.
100% of the areas of work identified in the evaluation process from the prior financial year were covered during 2021.
The principal milestones for financial year 2021 include the following:
<u>Composition:</u>



- Regular staggered renewal of the Board of Directors with the appointments of Ms María Ángeles Alcalá Díaz and Ms Isabel García Tejerina, for advance compliance with recommendation 15 of the *Good Governance Code of Listed Companies* to have at least 40% female directors before the end of 2022.

Development of Competencies:

- *New Director Remuneration Policy.*
- *New Procedure for Related-Party Transactions with Members of Senior Management, Delegated Related-Party Transactions and Series of Related-Party Transactions.*
- Oversight of the implementation of the Internal Control over Non-Financial Reporting System.

Operation:

- Specific training on issues of importance to the Board of Directors and its committees (e.g. cybersecurity, best practices in competency matrixes, talent management, remuneration, etc.).
- Greater coordination and engagement of directors and participants at each meeting.

Environmental and social issues:

- *New Climate Action Plan.*
- *Development of a Stakeholder Engagement Model, with a special focus on sustainability components in connection with suppliers.*
- *Update of the Manual on Reputational Crisis Event Procedures and Significant Issues for Institutional Investors.*

Describe the evaluation process and the areas evaluated by the Board of Directors with or without the help of an external advisor, regarding the functioning and composition of the Board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and areas evaluated
The Appointments Committee coordinates the evaluation of the operation of the Board of Directors and of the committees thereof on an annual basis, and submits to the full Board of Directors the results of said evaluation together with a proposed Improvement Plan that contains any recommendations to correct potential deficiencies detected.
The evaluation for financial year 2021 used PricewaterhouseCoopers Asesores de Negocios, S.L. (PwC) as an external adviser.
The scope of the process in 2021 included the evaluation of the Board of Directors, of its committees, of the chairman & CEO, of the Business CEO and of each of the other directors from the following viewpoints: (i)



compliance with internal rules and with the CNMV *Good Governance Code of Listed Companies*, (ii) monitoring of corporate governance trends, and (iii) analysis of coverage of potential areas for work defined in evaluations from prior years.

The evaluation of the chairman of the Board of Directors was led by the first vice-chair and lead independent director.

The first vice-chair and lead independent director also conducted individual interviews with the directors, receiving feedback on the performance of the Board of Directors and its committees, all of which was reflected in the evaluation process.

This process included a comparative analysis of 23 companies, which include (i) those considered to have best practices at the domestic and international level, and (ii) comparable companies, both domestic and international.

This evaluation used more than 380 best practices indicators, which practices were assessed using objective and verifiable evidence.

The process concluded with a Continuous Improvement Plan with indicators that will be evaluated for compliance the following financial year and which analyse, among other things, the following areas:

1. Oversight of all social aspects of the strategy and reflection thereof in the non-financial information.
2. Continuous improvement of the governance bodies, enriching remote training sessions like talent management, ESG goals and business risks (cybersecurity, climate, regulatory, etc.)
3. Relations with investors and other Stakeholders, strengthening transparency in all aspects of corporate governance.

On 22 February 2022 the Board of Directors approved the results of the evaluation of financial year 2021 and the Continuous Improvement Plan for financial year 2022.

- C.1.18 Provide details, for years in which the evaluation was carried out with the help of an external advisor, of the business relationships that the external advisor or company in its group maintains with the company or any company in its group.

Iberdrola has been assisted by an outside consultant for the last twelve years. In 2021 PwC's business relations with the Iberdrola group worldwide were approximately €27 million.

The total amount of billing by PwC for consulting services provided to the Board of Directors and the Office of the Secretary thereof in 2021 was €371 thousand.



C.1.19 Indicate the cases in which directors are obliged to resign.

Directors must submit their resignation from the position and formally resign from their position upon the occurrence of any of the instances of disqualification, lack of competence, structural and permanent conflict of interest or prohibition against performing the duties of director provided by law or the Governance and Sustainability System.

In this connection, the Regulations of the Board of Directors provide that the directors must submit their resignation to the Board of Directors in the following cases:

- a) When, due to supervening circumstances, they are involved in any circumstance of disqualification or prohibition provided by law or the Governance and Sustainability System.
- b) When, as a result of any acts or conduct attributable to the director, serious damage is caused to the value or reputation of the Company or there is a risk of criminal liability for the Company or any of the companies of the group.
- c) When there are situations that affect them, whether or not related to their conduct within the Company itself, that might harm the good standing or reputation thereof.
- d) When they cease to deserve the respectability or to have the capability, expertise, competence, availability or commitment to their duties required to be a director of the Company.

In particular, when the activities performed by the director, or the companies that the director directly or indirectly controls, or the individual or corporate shareholders or those related to any of them, might compromise the suitability thereof.

- e) When they are seriously reprimanded by the Board of Directors because they have breached any of their duties as directors.
- f) When their continuance in office on the Board of Directors may for any reason, either directly, indirectly, or through persons related thereto, jeopardise the faithful and diligent performance of their duties in furtherance of the corporate interest.
- g) When the reasons why the director was appointed cease to exist and, in particular, in the case of proprietary directors, when the shareholder or shareholders who proposed, requested, or decided the appointment thereof totally or partially sell or transfer their equity interest, with the result that such equity interest ceases to be significant or sufficient to justify the appointment.
- h) When an independent director unexpectedly falls under supervening



circumstances that prevent the director from being considered as such pursuant to the provisions of law.

The resignation provisions set forth under f) and g) above shall not apply when, after a report from the Appointments Committee, the Board of Directors believes that there are reasons that justify the director's continuance in office, without prejudice to the effect that the new supervening circumstances may have on the classification of the director.

C.1.20 Are qualified majorities other than those established by law required for any particular kind of decision?:

Yes No

If so, describe the differences.

Description of differences
The Regulations of the Board of Directors require a majority of at least two-thirds of the directors present at the meeting in person or by proxy to approve the amendment thereof.
The Regulations of the Board of Directors also state that directors must tender their resignation to the Board of Directors if they are seriously reprimanded thereby because they have breached any of their duties as directors, by resolution adopted by a two-thirds majority of the directors.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, for being appointed as chairman of the Board of Directors.

Yes No

C.1.22 Indicate whether the articles of incorporation or Board regulations establish any limit as to the age of directors:

Yes No

Observations
The Regulations of the Board of Directors provide that the standards to take into account for selecting candidates for the position of director shall include, by way of guidance only, the appropriateness of the directors generally not exceeding the age of seventy years.
Each of the non-executive directors has undertaken to tender their resignation to the Board of Directors at the first meeting it holds after they reach seventy years of age.

C.1.23 Indicate whether the articles of incorporation or Board regulations establish any term limits for independent directors other than those required by law or any other additional requirements that are stricter than those provided by law:

Yes No

C.1.24 Indicate whether the articles of incorporation or Board regulations establish specific rules for appointing other directors as proxy to vote in Board meetings, if so the procedure for doing so and, in particular, the maximum number of proxies that a director may hold, as well as whether any limit has been established regarding the categories of director to whom votes may be delegated beyond the limits imposed by law. If so, briefly describe these rules.

Pursuant to the By-Laws, all of the directors may cast their vote and give their proxy in favour of another director, provided, however, that non-executive directors may only do so in favour of another non-executive director.

The Regulations of the Board of Directors require that directors attend the meetings of the Board of Directors and when they cannot do so personally they must grant their proxy to another director, to whom they must give the appropriate instructions.

Directors may not grant a proxy in connection with matters in respect of which they have any conflict of interest.

The proxy granted shall be a special proxy for the Board meeting in question and may be communicated by any means allowing for the receipt thereof.

There is no maximum number of proxies provided per director.

C.1.25 Indicate the number of meetings held by the Board of Directors during the year. Also indicate, if applicable, the number of times the Board met without the chairman being present. Meetings where the chairman gave specific proxy instructions are to be counted as attended.

Number of board meetings	8
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	1
---------------------------	---

Indicate the number of meetings held by each Board committee during the year:



Number of meetings held by the Audit and Risk Supervision Committee	12
Number of meetings held by the Sustainable Development Committee	10
Number of meetings held by the Appointments Committee	10
Number of meetings held by the Remuneration Committee	12
Number of meetings held by the Executive Committee	15

Observations
<p>Pursuant to the provisions of Article 45 of the By-Laws, the lead independent director coordinates, meets with and reflects the concerns of the non-executive directors, and also directs the periodic evaluation of the chairman of the Board of Directors and leads any process for the succession thereof.</p> <p>In the exercise of these powers, the lead independent director has held meetings with all of the non-executive directors, which meetings dealt with the evaluation of the chairman & CEO as well as initiatives to improve the performance of each of the directors.</p>

C.1.26 Indicate the number of meetings held by the Board of Directors during the year with member attendance data:

Number of meetings in which at least 80% of directors were present in person	8
Attendance in person as a % of total votes during the year	100.00
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	8
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	100.00

Observations
The attendance of each and every one of the directors at the meetings of the Board of Directors and its committees during financial year 2021 is detailed in the Annex to this Report.

C.1.27 Indicate whether the individual and consolidated financial statements submitted to the Board for issue are certified in advance:

Yes No

Identify, if applicable, the person(s) who certified the individual and consolidated financial statements of the company for issue by the Board:

Name	Position
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	Chairman & CEO
MR JOSÉ SAINZ ARMADA	General Finance, Control and Resources Director (CFO)



Observations
<p>The Iberdrola group has established a certification process by which those responsible for financial information in the different areas of the Company (i.e. those responsible for the subholding companies and global corporate areas) certify that: (i) the financial information they deliver to Iberdrola for purposes of consolidation does not contain any material errors or omissions and provides a fair view of the results and the financial condition within their area of responsibility, and (ii) they are responsible for establishing the Internal Control Over Financial Reporting (ICFR) system within their area of responsibility and have found, upon evaluation, that the system is effective. The text of these certifications is inspired by the form of certification established in Section 302 of the U.S. Sarbanes-Oxley Act.</p> <p>The culmination of the process is a joint certification that the chairman & CEO and the CFO submit to the Board of Directors.</p> <p>The process is carried out by means of electronic signature in a software application which manages the areas of responsibility and time periods and which serves as a repository of all the documentation generated, allowing for periodic review by the supervision and control bodies of the group.</p>

- C.1.28 Explain the mechanisms, if any, established by the Board of Directors to ensure that the financial statements it presents to the General Shareholders' Meeting are prepared in accordance with accounting regulations.

<p>The <i>Regulations of the Audit and Risk Supervision Committee</i> provide that it shall have the following duties, among others:</p> <ul style="list-style-type: none">- Supervise (on an ongoing basis and specifically at the request of the Board of Directors) the process of preparing and presenting regulated financial information relating to the Company, both individual and consolidated with its subsidiaries, reviewing compliance with legal requirements, the proper delimitation of the scope of consolidation and the correct application of accounting standards, and submit recommendations or proposals to the Board of Directors to safeguard the integrity thereof.- Supervise the clarity and integrity of the financial information regarding the Company and its group based on available sources of internal information (including reports from the Internal Audit Area and the Risk Management and Internal Assurance Division, reports from other areas or departments, or the analysis and opinion of the Company's management team itself) and external information (including reports from experts or information received from the statutory auditor), and reach its own conclusion as to whether the Company has properly applied the accounting policies. It shall also ensure that the interim financial statements are prepared using the same accounting principles as the annual financial statements.



- Establish appropriate relationships with the statutory auditor to receive information regarding matters that might entail a threat to the independence thereof, for examination by the Audit and Risk Supervision Committee, and any other information related to the development of the audit procedure, as well as such other communications as are provided for in the laws on statutory audit and in other legal provisions on auditing.
- The Committee must receive written confirmation from the statutory auditor on an annual basis of its independence in relation to the Company or entities directly or indirectly related thereto, as well as a detailed breakdown of information on additional (non-auditing) services of any kind provided to and the corresponding fees received from such entities by such statutory auditors or by persons or entities related thereto, pursuant to the legal provisions governing the audit of accounts.
- On an annual basis, prior to the audit report, issue a report containing an opinion on whether the independence of the statutory auditors is compromised, which shall be made available to the shareholders upon the terms set forth in the *Regulations for the General Shareholders' Meeting*. This report shall contain a reasoned assessment of the provision of each and every one of the additional services other than the legal audit referred to in the preceding point, considered individually and as a whole, and in relation to the rules on independence or the legal provisions governing the audit of accounts.
- Report in advance to the Board of Directors regarding the financial information that the Company must disclose on a regular basis because of its status as a listed company; the Audit and Risk Supervision Committee shall ensure that the interim statements are prepared in accordance with the same accounting standards as the annual financial statements and, for such purpose, it shall consider the appropriateness of a limited review by the statutory auditor.
- Review the contents of the audit reports on the accounts and of the reports on the limited review of interim accounts, if any, as well as other mandatory reports to be prepared by the statutory auditor, prior to the issuance thereof, in order to avoid qualified reports.
- Assess the results of each audit of accounts and supervise the response of the members of senior management to the recommendations made therein.
- Act as a channel of communication between the Board of Directors and the statutory auditors, causing them to hold an annual meeting with the Board of Directors to report thereto on the work performed and the accounting status and risks of the Company.
- Evaluate any proposal made by the members of senior management regarding changes in accounting practices.
- Analyse the reasons why the Company may itemise certain alternative information on returns in its public information instead of the measures directly defined by accounting rules, the extent to which useful information is provided to investors and the level of compliance thereof with best practices and international recommendations in this area.



- Obtain information on significant adjustments identified by the statutory auditor or that result from revisions made by the Internal Audit Area and the position of the management team regarding said adjustments.
- Timely and properly attend to, answer and take into account any requests sent thereto by the National Securities Market Commission during the current financial year or in prior years, ensuring that the same types of incidents previously identified in said requests are not repeated in the financial statements.
- Check that the financial information approved by the Board of Directors and published on the corporate website of the Company is continuously updated and that it coincides with the information that has been approved by the Board of Directors and published on the website of the National Securities Market Commission.

In turn, the *Regulations of the Board of Directors* provide that:

- The Board of Directors shall meet with the statutory auditor at least once per year in order to receive information regarding the work performed and regarding the accounting status and risks of the Company.
- The Board of Directors shall use its best efforts to prepare the annual financial statements such that there is no room for qualifications by the statutory auditor. However, when the Board of Directors believes that its opinion must prevail, it shall provide a public explanation of the content and scope of the discrepancy.

Pursuant to the above-cited rules, the Audit and Risk Supervision Committee has reported throughout the year on the process of preparing and presenting, and the clarity and integrity of, the financial information (separate and consolidated) relating to the Company prior to the approval thereof by the Board of Directors and its submission to the National Securities Market Commission. The reports of the Audit and Risk Supervision Committee, which the chair thereof has presented to the full Board of Directors, are mainly intended to disclose such aspects, if any, as may give rise to qualifications in the audit report of Iberdrola and its consolidated group.

Accordingly, the Committee submitted to the Board of Directors the following reports regarding the annual, quarterly and half-yearly financial information of the Company for financial year 2021:

- Report dated 10 May 2021 on the results for the first quarter of 2021.
- Report dated 19 July 2021 on the financial information for the first half of 2021.
- Report dated 25 October 2021 on the results for the third quarter of 2021.
- Report dated 21 February 2022 regarding the annual financial statements of Iberdrola and its consolidated group for financial year 2021.

As disclosed in the information about Iberdrola posted on the website of the National Securities Market Commission (www.cnmv.es), the



audit reports on the individual and consolidated annual financial statements prepared by the Board of Directors have historically been issued without qualifications.

C.1.29 Is the secretary of the Board also a director?

Yes

No

If the secretary is not a director, complete the following table:

Name or company name of the secretary	Representative
MR JULIÁN MARTÍNEZ-SIMANCAS SÁNCHEZ	

C.1.30 Indicate the specific mechanisms established by the company to safeguard the independence of the external auditors, and any mechanisms to safeguard the independence of financial analysts, investment banks and rating agencies, including how legal provisions have been implemented in practice.

MECHANISMS TO PRESERVE THE INDEPENDENCE OF THE AUDITOR

The Regulations of the Audit and Risk Supervision Committee and the Statutory Auditor Contracting and Relations Policy provide that:

- The relations of the Audit and Risk Supervision Committee (the “Committee”) with the Company’s statutory auditor (the “Auditor”) shall respect the independence thereof.
- The Committee shall discuss with the Auditor any circumstance that might compromise the independence thereof and shall evaluate the effectiveness of the protective measures and the relationships between the Iberdrola group and the Auditor and its network, including those that entail the provision of non-audit services. It shall request from the Auditor a certification of independence of the firm as a whole and of the members of the team participating in the process of auditing the annual financial statements of the Iberdrola group, with a detailed breakdown of information regarding non-auditing services of any kind provided by the Auditor or by persons connected thereto under applicable law. The Auditor shall include in such certification a statement regarding compliance with its internal quality assurance and independence protection procedures and shall submit to the Committee on an annual basis the profiles and professional background of the members of the Iberdrola group audit teams, indicating any changes with respect to the previous financial year.
- Before issuing the annual audit report, the Committee shall issue a report expressing an opinion on the independence of the Auditor and the potential impact of each and every one of the non-audit services provided by the Auditor or by persons connected thereto, considered individually and as a whole. It shall also supervise the auditor’s



internal quality assurance and independence protection procedures and shall receive information on the hiring of professionals from the auditor by any of the companies of the Iberdrola group.

- The Committee shall not submit a proposal to the Board of Directors, and the Board of Directors shall not submit a proposal to the shareholders at the General Shareholders' Meeting, for appointment as Auditor of firms for which it has evidence that they are affected by a lack of independence, prohibition or disqualification pursuant to applicable legal provisions, and if the total fees received for the provision of audit and non-audit services provided to the Company and to any other entity of the group by the Auditor or audit firm or by a member of its network during each of the last three consecutive financial years represent more than 15% of the total annual income of the Auditor or audit firm and of said network.

The Committee has established a restrictive policy on the non-audit services by the Auditor to the Iberdrola group that can be authorised:

- Prior to formalisation thereof, the Committee must receive information regarding any contract it intends to sign with the Auditor or a member of its network for the provision of non-audit services to the Company or any of the companies of its group, in order to be able to analyse the threats to independence that might arise from said contracts. The Auditor must therefore forward to the Committee any request to approve the provision of non-audit services, sufficiently describing the services requested so that the Committee can analyse the impact of the contracting thereof on independence, both individually and collectively.
- The provision by the Auditor or by any member of its network of non-audit services must be authorised in advance by the Committee in all cases, whether the services are provided to the Company or to any other company of the group, and (a) the audit and compliance committee of the country subholding company of the group, if the services are provided thereto or to one of its subsidiaries that do not have their own audit and compliance committee; or (b) the audit and compliance committee of the subsidiary to which the services are provided, if it has one.
- In order to authorise the provision of said services, the Committee must assess whether the audit firm is the most appropriate firm to provide them based on its experience and expertise, analysing the nature thereof and the circumstances and context in which it occurs; the status, position or influence of the provider of the service and other relations thereof with the Company; the effects thereof; and whether said services could threaten the independence of the auditor and, if applicable, the establishment of measures eliminating or reducing the threats to a level that does not compromise the independence thereof.

In compliance with recommendation 65.c) of Technical Guide 3/2017 on Audit Committees of Public Interest Entities, the Committee has established the indicative limit of the fees that may be received by the



Auditor or an entity within its network at five million euros per year for non-audit services provided to the Company and to any other entity of the group during any financial year of the Company.

As regards financial year 2021:

- Iberdrola's Auditor, "KPMG Auditores, S.L." ("KPMG"), appeared on thirteen occasions before the Committee and on one occasion before the Board of Directors to report on issues relating to the audit of accounts. During these appearances, KPMG did not report issues that might put its independence at risk.
- 17 February 2021 KPMG sent to the Committee written confirmation of its independence with regard to the audit of the financial information for financial year 2020.
- On 19 July 2021 KPMG sent to the Committee written confirmation of its independence with regard to the limited review of the financial information as at 30 June 2021.
- 21 February 2022 KPMG sent to the Committee written confirmation of its independence with regard to the audit of the financial information for financial year 2021.
- In these letters the Auditor represented that it has implemented policies and procedures designed to provide reasonable assurance that KPMG and its personnel maintain their independence when so required by applicable legal provisions.
- Pursuant to the foregoing, the hiring of the Auditor for non-audit services was approved in advance by the Committee. Prior to approval thereof, the director of the Internal Audit Area, and if necessary the audit committee and the internal audit division of the group company receiving the services (or of any country subholding company to which it belongs) stated that the provision thereof did not threaten the independence of the auditor. In requests for services made by the Committee, the Auditor confirmed that, among other things, there were no restrictions on independence for the performance of the work described therein.
- In its statement of independence dated 21 February 2022, KPMG reported that 3 of its professionals were hired by the Iberdrola group during 2021. It also confirmed in this statement that such hirings do not fall within any of the prohibitions set out in the applicable legal provisions and have not created a threat compromising their independence as auditors.
- On 21 February 2022 the Committee submitted its report to the Board of Directors regarding the independence of the Iberdrola's Auditor, in which it concluded that the Auditor performed its work independently.

MECHANISMS TO PRESERVE THE INDEPENDENCE OF FINANCIAL ANALYSTS, INVESTMENT BANKS AND RATING AGENCIES

The principles which form the basis of the relations of the Company with financial analysts, investment banks, and rating agencies are contained in the Policy regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors and are transparency, equal



treatment, non-discrimination, truthfulness, and trustworthiness of the information supplied.

The Finance, Control and Resources Division, through the Investor Relations and Communication Division, manages their requests for information and requests submitted by institutional or retail investors. The Finance, Control and Resources Division gives mandates to investment banks. The Corporate Development Division gives the appropriate advisory mandates to investment banks within the scope of its activities, in coordination with the Finance, Control and Resources Division.

The independence of financial analysts is protected by the Investor Relations and Communications Division, which ensures the objective, fair and non-discriminatory treatment thereof.

The Company also has a number of communication channels:

- Personalised assistance for analysts, investors and rating agencies.
- Publication of the information relating to quarterly results and other specific events, such as those relating to the submission of the Business Prospects or to corporate transactions.
- E-mail through the corporate website (accionistas@iberdrola.com).
- Toll-free line for shareholders (+34 900 100 019).
- In-person and broadcasted presentations.
- Release of announcements and news.
- Visits to Company facilities.

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

Yes No

If there were any disagreements with the outgoing auditor, explain their content:

Yes No

C.1.32 Indicate whether the audit firm performs any non-audit work for the company and/or its group and, if so, state the amount of fees it received for such work and express this amount as a percentage of the total fees invoiced to the company and/or its group for audit work:

Yes No

	Company	Group companies	Total
Amount invoiced for non-audit services (thousands of euros)	1,513	2,348	3,861



Amount invoiced for non-audit work/Amount for audit work (in %)	30.20	10.80	14.40
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Observations
See annex.

C.1.33 Indicate whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders at the general meeting by the chairman of the audit committee to explain the content and extent of the qualified opinion or reservations.

Yes No

C.1.34 Indicate the number of consecutive years for which the current audit firm has been auditing the company's individual and/or consolidated financial statements. Also, indicate the number of years audited by the current audit firm as a percentage of the total number of years in which the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	5	5

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company has been audited (in %)	17.24	17.24

C.1.35 Indicate whether there is a procedure for directors to be sure of having the information necessary to prepare the meetings of the governing bodies with sufficient time; provide details if applicable:

Yes No

Details of the procedure
<p>The Regulations of the Board of Directors provide that the required support shall be provided for new directors to become rapidly and adequately acquainted with the Company and its group, such that they can actively perform their duties as such and, if so appointed, as members of any of the committees of the Board of Directors as from their appointment as such. To this end, an Orientation Programme is made available to them through the directors' website.</p> <p>They are also provided with the information needed to perform their duties, and access to training materials and sessions that allow them to continuously update their knowledge is encouraged.</p>



The regulations of the consultative committees also provide that they must have a periodic training plan that ensures the refreshment of knowledge relating to the purview of each of them.

In order to improve their knowledge of the group, presentations are made to the directors regarding the various Businesses. In addition, a portion of each meeting of the Board of Directors tends to be dedicated to a presentation on economic, legal or political/social issues of importance to the group.

The directors have access to a specific application, the directors' website, that facilitates performance of their duties and the exercise of their right to receive information. This website includes information deemed appropriate for preparation of the meetings of the Board of Directors and the committees thereof in accordance with the agenda, the training materials intended for the directors, and presentations made to the Board of Directors.

In addition, the directors are given access through the directors' website to the minutes of the meetings of the Board of Directors and the committees thereof, as well as such other information as the Board of Directors approves.

Finally, the Regulations of the Board of Directors provide that a director is required to properly prepare for the meetings of the Board of Directors and, if applicable, the meetings of the Executive Committee or of the committees of which the director is a member, for which purposes the director must diligently become apprised of the running of the Company and the matters to be discussed at such meetings.

C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company's standing and reputation, tendering their resignation where appropriate. If so, provide details:

Yes

No

Explain the rules

The Regulations of the Board of Directors set out the obligations and duties of the directors, including, as an expression of the duty of loyalty, the duty to submit their resignation to the Board of Directors in the event that supervening circumstances mean they are involved in an instance of disqualification or prohibition, loss of suitability, respectability, capability, expertise, competence, availability or commitment to their



duties required to be a director and the other instances provided for in the Governance and Sustainability System.

A director must inform the Company of any judicial, administrative or other proceedings instituted against the director which, because of their significance or characteristics, may seriously reflect upon the reputation of the Company. In particular, every director must inform the Company, through the secretary of the Board of Directors, in the event that the director is subject to an investigation, arrested, or an order for the commencement of an oral criminal trial is issued against the director for the commission for any crime, and of the occurrence of any significant procedural steps in such proceedings. In such instance, the Board of Directors shall review this circumstance as soon as practicable and, following a report of the Appointments Committee, shall adopt the decisions it deems fit taking into account the interests of the Company.

In addition, the director must inform the Company of any fact or event that may be relevant to the holding of office as a director.

Directors must also submit their resignation to the Board of Directors and formally resign from their position in the events described in section C.1.19 of this Report.

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted, the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company's standing and reputation:

Yes X

No

Director's name	Nature of the situation	Observations
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	CENYT case	See reasoned explanation
MR FRANCISCO MARTÍNEZ CÓRCOLES	CENYT case	See reasoned explanation

Indicate whether the Board of Directors has examined the case. If so, explain with reasons whether, given the specific circumstances, it has adopted any measure, such as opening an internal enquiry, requesting the director's resignation or proposing his or her dismissal.

Indicate also whether the Board decision was backed up by a report from the nomination committee.

Yes X

No

Decision / action taken	Reasoned explanation
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<p>Appropriate investigations have been carried out in compliance with the provisions of the Governance and Sustainability System and the Compliance System of Iberdrola.</p> <p>The Board of Directors has examined the case and unanimously confirmed its full confidence in the suitability of both directors to hold office.</p>	<p>From the day after the appearance of the first news reports in June 2018 regarding the hiring of Club Exclusivo de Negocios y Transacciones, S.L." ("CENYT"), a company legally organised and with its own resources to operate in its industry, Iberdrola has carried out various investigations in accordance with its Governance and Sustainability System and its Compliance System, which define and describe the powers assigned to the various companies of the group and their corresponding governance bodies (particularly the Audit and Risk Supervision Committee, the Sustainable Development Committee, the Executive Committee and the Board of Directors of Iberdrola, S.A. and the Board of Directors of Iberdrola Renovables, S.A.U.).</p> <p>The content of the meetings of these bodies reflects the impetus given to all of the internal investigations performed, the supervision of the performance thereof without any limitation in scope, and the guarantee that all responsible areas them had the required human and material resources and acted free of any type of interference.</p> <p>These investigations have included all available documentary evidence. In certain cases, whether due to the nature of the services provided, the passage of time (which well exceeded the six-year period legally provided for maintaining business documentation) or the lack of cooperation of certain former employees, complete documentation was not available.</p> <p>Iberdrola's Compliance Unit has been advised by "Pricewaterhousecoopers Asesores de Negocio, S.L." ("PwC"), which has performed an independent investigation, with neither supervision nor control of internal bodies or outside lawyers, and which made a commitment to make its findings available to the judicial authorities, whatever those findings may be (PwC has dedicated more than 5,000 working hours, processed 5.14 terabytes of information</p>
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	<p>and reviewed more than 300,000 files and more than 3,000 invoices).</p> <p>Said investigations have not identified payments to companies linked to Mr Villarejo other than those initially identified (17 invoices): 14 from Iberdrola, between 2004 and 2009, in the total amount of €1,017,824.14, and 3 from Iberdrola Renovables, between 2012 and 2017, in the total amount of €114,200.00.</p> <p>Furthermore, all of the payments correspond to invoices recorded in the files of the group created in accordance with the internal procedures requiring that the service be requested and the corresponding invoice be approved by a person duly authorised to do so by reason of the subject matter, and approved by a controller other than the requesting party.</p> <p>The Compliance Unit has reviewed the commercial relationship (the engagement, accounting and payment processes) of Iberdrola and the other companies of the group with all of the companies that have provided them with security and intelligence services during the years related to the facts investigated by Central Preliminary Examining Court No. 6 and, based on the information available thereto, no evidence has been identified of any illegal conduct or conduct contrary to the Governance and Sustainability System.</p> <p>As regards the court proceeding, the Company is appearing as an aggrieved party and is actively cooperating in the clarification of the facts, providing the Court with the results and documentation of the investigations.</p> <p>The Executive Committee of the Company's Board of Directors resolved last May to make all of its directors, officers and employees available to said Court so that they could appear before it and give their statements and provide all of the cooperation requested of them.</p> <p>The Chairman of the Board of Directors & CEO Mr Ignacio Sánchez Galán and the external director Mr Francisco Martínez Córcoles, the</p>
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	<p>officers Mr Juan Carlos Rebollo Liceaga and Mr Pablo Isunza Gaminde, as well as the company Iberdrola Renovables Energía, S.A., which appeared through its legal representative, have made statements as persons of interest and have provided the Court with full explanations as requested. Other former officers who are no longer with the Company have also made statements before the Court.</p> <p>Various international law firms have reviewed various aspects of the procedure followed: Iberdrola's Compliance System, the reaction to this matter by the governing bodies of the various companies of the group participating therein, the internal investigation procedure and the results thereof (including the forensic report of PwC), and documentation relating to the various investigations that have been provided in the aforementioned legal proceedings. Their conclusion is that, with the information currently available in the judicial proceeding, there is insufficient evidence to pursue a criminal case against any company of the Iberdrola Group or against any of its current directors or officers, without prejudice to any liabilities that may arise against other persons.</p> <p>Notwithstanding the foregoing, the lengthiness of the aforementioned legal proceeding and the profusion of accusations and arguments lacking factual and legal support, which have been used by competitors and former officers of the Company for the clear purpose of harming its good name and reputation, might undermine its ability to compete in the market, which is the main risk for the Company, more than the legal consequences of the criminal proceedings themselves.</p> <p>The Company has taken and will continue to take appropriate legal measures to protect its reputation and its ability to compete.</p>
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- C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.



Not applicable.

C.1.39 Identify individually as regards directors, and in aggregate form in other cases, and provide details of any agreements between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal without due cause or termination of employment as a result of a takeover bid or any other type of transaction.

Number of beneficiaries	25
Type of beneficiary	Description of the agreement
Executive directors and officers	<p>1. EXECUTIVE DIRECTORS</p> <p>Pursuant to the provisions of his contract, the chairman & CEO has the right to receive a severance payment in the event of termination of his relationship with the Company, provided that such termination is not the consequence of a breach attributable thereto or exclusively due to his own decision to withdraw. The amount of the severance payment is three times annual salary.</p> <p>Since 2011, contracts with new executive directors and with senior management include maximum severance pay equal to two times annual salary in the event of termination of their relationship with the Company, provided that termination of the relationship is not the result of a breach attributable thereto or solely due to a voluntary decision thereof.</p> <p>Furthermore, in consideration for the chairman & CEO's non-compete commitment for a period of two years, he shall be entitled to severance pay equal to the remuneration for such period.</p> <p>2. OFFICERS</p> <p>The employment contracts of officers of Iberdrola who, given their responsibilities, decisively contribute to the creation of value, contain specific clauses on severance payments. The purpose of such clauses is to obtain an effective and sufficient level of loyalty for the management of the Company and thus avoid a loss of experience and knowledge that might jeopardise the achievement of strategic objectives. The</p>



	<p>amount of the severance pay is determined based on length of service and the reasons for the officer's withdrawal from office, up to a maximum of five times annual salary.</p> <p>Notwithstanding the foregoing, the Senior Management Remuneration Policy provides since 2011 that the limit on the amount of the severance pay under new contracts with the members of senior management shall be two times their annual salary.</p>
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Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of directors	General shareholders' meeting
Body authorising the clauses	X	

	YES	NO
Are these clauses notified to the General Shareholders' Meeting?	X	

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their members, and the proportion of executive, proprietary, independent and other external directors forming them:

EXECUTIVE COMMITTEE

Name	Position	Current
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	Chair	Executive
MR JUAN MANUEL GONZÁLEZ SERNA	Member	Independent
MR ANTHONY L. GARDNER	Member	Independent
MR MANUEL MOREU MUNAIZ	Member	Independent
MR ÁNGEL JESÚS ACEBES PANIAGUA	Member	Independent

% of executive directors	20.00
% of proprietary directors	0.00
% of independent directors	80.00
% of other external directors	0.00



Explain the functions delegated or assigned to this committee, other than those that have already been described in Section C.1.9, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Executive Committee is assigned all the powers of the Board of Directors, except for those powers that may not be delegated pursuant to legal or by-law restrictions. The chairman of the Board of Directors and the chief executive officer, if any, are members in all cases. The secretary of the Board of Directors acts as secretary of the Committee. The appointment of its members, with a minimum of 4 and a maximum of 8, and the delegation of powers thereto, is carried out by the Board of Directors with the favourable vote of at least two-thirds of the members thereof.

The Executive Committee shall meet as many times as deemed necessary by the chair thereof. It shall also meet when so requested by a minimum of two of the directors forming part thereof.

Resolutions of the Committee shall be adopted by absolute majority of its members who are present at the meeting in person or by proxy.

The duties of this Committee consist of making proposals to the Board of Directors regarding strategic decisions, investments and divestitures that are significant for the Company or the group, assessing their conformity to the current budget and strategic plans and analysing and monitoring business risks. It also provides assistance to the Board of Directors in the ongoing supervision of compliance with the principles governing the organisation and the coordination of the group and the strategic goals thereof.

The most significant activities performed by this Committee during financial year 2021 are described in the Activities Report of the Board of Directors and of the Committees thereof, which is published for purposes of the call to the General Shareholders' Meeting (<https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents>). Particularly noteworthy are the following:

- a) Monitoring of investment projects.
- b) Setting the baseline of the budget for 2022 and monitoring implementation of the budget for 2021.
- c) Monitoring the achievement of targets in accordance with outlook 2020-2025 and view to 2030.



- d) Terms and conditions of the first increase in capital by means of a scrip issue.
- e) Monitoring of risk linked to changes in the group's environment.

AUDIT AND RISK SUPERVISION COMMITTEE

Name	Position	Current
MR XABIER SAGREDO ORMAZA	Chair	Independent
MS REGINA HELENA JORGE NUNES	Member	Independent
MS MARÍA ÁNGELES ALCALÁ DÍAZ	Member	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Audit and Risk Supervision Committee is an internal informational and consultative body.

The Audit and Risk Supervision Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee from among the non-executive directors who are not members of the Executive Committee. A majority of its members shall be independent, and at least one of them shall be appointed taking into account the knowledge and experience thereof in the areas of accounting, audit and risk management.

Without prejudice to the foregoing, the Board of Directors and the Appointments Committee shall endeavour to ensure that all members of the Audit and Risk Supervision Committee, and especially the chair thereof, have the expertise, qualifications and experience appropriate for the duties they are called upon to perform in the area of accounting, auditing and management of risks, both financial and non-financial, that at least one of them has experience in information technology, and that as a whole the members of the Audit and Risk Supervision Committee have relevant technical knowledge in the finance and internal control area, as well as in relation to the energy sector.



The Board of Directors shall appoint a chair of the Committee from among the independent directors forming part thereof, as well as its secretary, who need not be a director.

The members of the Audit and Risk Supervision Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length. The chair shall hold office for a maximum period of four years, after which period the director who has held office as such may not be re-elected until the passage of at least one year from ceasing to act as such.

A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.

The duties of the Committee are provided and are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Audit and Risk Supervision Committee.

The most significant activities performed by this Committee during financial year 2021 are described in the Activities Report of the Board of Directors and of the Committees thereof, which is published for purposes of the call to the General Shareholders' Meeting (<https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents>). Particularly noteworthy are the following:

- a) Memorandum of internal control recommendations resulting from the financial information audit of financial year 2020 and implementation of said recommendations.
- b) Evaluation of the Internal Control over Financial Reporting System and Internal Control over Non-Financial Reporting System.
- c) Monitoring of political, reputational and related corruption risks and analysis of alert mechanisms.
- d) Reporting on the risks of the group's businesses.
- e) Approval of a new version of the Statutory Auditor Contracting and Relations Policy.
- f) Submission of the strategic cybersecurity plan.
- g) Submission to the Board of the proposed Procedure for Related-Party Transactions with Members of Senior Management, Delegated Related-Party Transactions and Series of Related-Party Transactions.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

Names of directors with experience	
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MR XABIER SAGREDO ORMAZA AND



	MS REGINA HELENA JORGE NUNES
Date of appointment of the chairperson	19/02/2019

NOMINATION COMMITTEE

Name	Position	Current
MS MARÍA HELENA ANTOLÍN RAYBAUD	Chair	Independent
MR ANTHONY L. GARDNER	Member	Independent
MR ÁNGEL JESÚS ACEBES PANIAGUA	Member	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Appointments Committee is an internal informational and consultative body.

The Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors.

A majority of the members of the Appointments Committee must be classified as independent. The Board also appoints the chair thereof from among the independent directors forming part thereof, as well as its secretary, who need not be a director.

The Board of Directors shall endeavour to ensure that the members of the Committee have such expertise, qualifications and experience as are required by the duties they are called upon to perform, particularly in the following areas: corporate governance, strategic human resources analysis and evaluation, selection of directors and management personnel, and performance of senior management duties.



The members of the Appointments Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.

The duties of the Committee are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Appointments Committee.

The most significant activities performed by this Committee during financial year 2021 are described in the Activities Report of the Board of Directors and of the Committees thereof, which is published for purposes of the call to the General Shareholders' Meeting (<https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents>). Particularly noteworthy are the following:

- a) Review of the Board of Directors Diversity and Member Selection Policy and verification of compliance therewith.
- b) Reports relating to the proposed appointment of new members of senior management.
- c) Proposed appointments and re-elections of directors and for internal functions.
- d) Competencies matrix, talent management and development of executives.

REMUNERATION COMMITTEE

Name	Position	Current
MR JUAN MANUEL GONZÁLEZ SERNA	Chair	Independent
MR MANUEL MOREU MUNAIZ	Member	Independent
MR IÑIGO VÍCTOR DE ORIOL IBARRA	Member	Other external

% of proprietary directors	0.00
% of independent directors	66.67
% of other external directors	33.33

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during



the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Remuneration Committee is an internal informational and consultative body.

The Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors.

A majority of the members of the Remuneration Committee must be classified as independent. The Board also appoints the chair thereof from among the independent directors forming part thereof, as well as its secretary, who need not be a director.

The Board of Directors shall endeavour to ensure that the members of the Committee have such expertise, qualifications and experience as are required by the duties they are called upon to perform, and particularly regarding corporate governance, policy design and remuneration plans for directors and senior management.

The members of the Remuneration Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.

The duties of the Committee are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Remuneration Committee.

The most significant activities performed by this Committee during financial year 2021 are described in the Activities Report of the Board of Directors and of the Committees thereof, which is published for purposes of the call to the General Shareholders' Meeting (<https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents>). Particularly noteworthy are the following:

- a) Proposed *Director Remuneration Policy* and review of conformance of the contracts of the executive directors to the new Policy.
- b) Comparative analysis of the remuneration of executive directors.
- c) Components of the remuneration mix.
- d) Parameters linked to variable remuneration.
- e) Cessation of office of former Business CEO.



f) Director Remuneration Report.

SUSTAINABLE DEVELOPMENT COMMITTEE

Name	Position	Current
MS SARA DE LA RICA GOIRICELAYA	Chair	Independent
MS NICOLA MARY BREWER	Member	Independent
MS ISABEL GARCÍA TEJERINA	Member	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the functions assigned to this committee and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The Sustainable Development Committee is an internal informational and consultative body.

The Committee shall be composed of a minimum of three and a maximum of five directors appointed by the Board of Directors upon a proposal of the Appointments Committee, from among the non-executive directors.

A majority of the members of the Sustainable Development Committee must be classified as independent. The Board of Directors shall appoint a chair of the Committee from among the members forming part thereof, as well as its secretary, who need not be a director.

The members of the Sustainable Development Committee shall be appointed for a maximum term of four years and may be re-elected on one or more occasions for terms of the same maximum length.

A valid quorum shall be established with the attendance at the meeting, in person or by proxy, of a majority of its members, and resolutions shall be adopted by an absolute majority of votes of the members present at the meeting in person or by proxy.



The duties of the Committee are further developed in the Regulations of the Board of Directors, as well as in the Regulations of the Sustainable Development Committee.

The most significant activities performed by this Committee during financial year 2021 are described in the Activities Report of the Board of Directors and of the Committees thereof, which is published for purposes of the call to the General Shareholders' Meeting (<https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents>). Particularly noteworthy are the following:

- a) Monitoring of the elements affecting corporate reputation.
- b) Manual of procedures for reputational crisis events.
- c) Tools for measuring corporate social responsibility, as well as setting of ESG goals in all businesses and corporate areas.
- d) Monitoring of activities in the areas of employment, satisfaction, diversity, integrity, non-discrimination, equality, reconciliation, accessibility and mobility.
- e) Monitoring of work on the circular economy and climate governance.
- f) Review of the level of implementation of the Sustainable Development Plan 2020-2022.
- g) Development of a Stakeholder Engagement Model.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	Year 2021		Year 2020		Year 2019		Year 2018	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.00	1	20.00	2	50.00	2	40.00
Audit and Risk Supervision Committee	2	66.66	1	33.33	2	50.00	2	50.00
Appointments Committee	1	33.33	1	33.33	1	33.33	1	33.33
Remuneration Committee	0	0.00	0	0.00	1	33.33	1	33.33
Sustainable Development Committee	3	100.00	3	100.00	2	66.67	1	33.33

C.2.3 Indicate, where applicable, the existence of any regulations governing Board committees, where these regulations are to be found, and any amendments made to them during the year. Also indicate whether any



annual reports on the activities of each committee have been voluntarily prepared.

The committees of the Board are governed by the Regulations of the Board of Directors. Each of the consultative committees also has its own regulations, available at www.iberdrola.com, where one can also find the Activities Report of the Board of Directors and of the Committees thereof.

During the process of ongoing revisions to the Governance and Sustainability System, apart from technical improvements, amendments to the Regulations of the Appointments Committee and the Regulations of the Audit and Risk Supervision Committee have been made in order for the latter committee to be the one reporting on related-party transactions. Amendments have also been made to the Regulations of the Sustainable Development Committee in order to expand its powers, especially including the power to report on the climate action plan and to monitor the plan by reviewing the level of achievement thereof.



D RELATED PARTY AND INTRAGROUP TRANSACTIONS

- D.1 Explain, where appropriate, the procedure and competent bodies relating to the approval of transactions with related and intragroup parties, indicating the criteria and general internal rules of the entity that regulate the abstention obligations of the affected director or shareholders. Detail the internal information and periodic control procedures established by the company in relation to those related-party transactions whose approval has been delegated by the board of directors.

Pursuant to the Regulations of the Board of Directors, Related-Party Transactions means those transactions carried out by the Company or its subsidiaries with directors, with shareholders holding ten per cent or more of the voting rights or who have proposed or caused the appointment of any of the directors, or with any other parties who should be considered parties related to the Company in accordance with International Accounting Standards.

Transactions that are not classified as such in accordance with the law, and particularly those identified in section 2 of Article 48 of the Regulations of the Board of Directors will not be deemed Related-Party Transactions.

The approval of Related-Party Transactions must be decided by the shareholders at a General Shareholders' Meeting in the instances provided by law, and particularly if it relates to a transaction having a value of more than 10% of the total items of the assets of the group according to the last consolidated annual balance sheet approved by the shareholders at the General Shareholders' Meeting of the Company.

Other Related-Party Transactions are subject to the approval of the Board of Directors. However, Related-Party Transactions may be approved by the Executive Committee due to the urgency of the matter, giving notice thereof at the next meeting of the Board of Directors in order for them to be ratified.

The Board of Directors, through the Audit and Risk Supervision Committee, shall endeavour to ensure that Related-Party Transactions are fair and reasonable from the viewpoint of the Company and, if applicable, of shareholders other than the related party. As provided by law, the approval of Related-Party Transactions must be the subject of a prior report of the Audit and Risk Supervision Committee, which shall verify compliance with said requirements.

The Board of Directors may delegate the approval of Related-Party Transactions when so allowed by law, and particularly those transactions that simultaneously satisfy the following three conditions: (i) that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to a large number of customers; (ii) that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question; and (iii) that the amount thereof does not exceed 0.5% of the consolidated net turnover of the group.



The approval of the aforementioned Related-Party Transactions, particularly those relating to electricity and gas services, shall not require a prior report of the Audit and Risk Supervision Committee. The Board of Directors has established a regular internal reporting and control procedure in relation thereto, in which the Audit and Risk Supervision Committee must participate, which shall verify the fairness and transparency of such transactions and compliance with any legal criteria applicable to the corresponding exceptions. The execution of these types of transactions is the responsibility of the representatives of the group company in question. The Audit and Risk Supervision Committee, with the assistance of the Internal Audit Area and with the information provided for this purpose by the Office of the Secretary of the Board and the Compliance Unit, shall examine these types of Related-Party Transactions each year and shall submit the corresponding report to the Board of Directors.

In the case of customary or recurring Related-Party Transactions in the ordinary course of business, it shall be sufficient to give a generic prior approval of the kind of transaction and of the conditions for performance thereof, provided that they are transactions with the same counterparty and their object is homogeneous. The Board of Directors is responsible for approving the various series of operations. In relation to the series of transactions, the Audit and Risk Supervision Committee, with the assistance of the Internal Audit Area, must issue an annual report to be submitted to the Board of Directors verifying compliance with the conditions established by the Board of Directors when approving the series of transactions in question.

If a Related-Party Transaction entails the successive performance of different transactions, of which the second and subsequent transactions are mere acts of execution of the first transaction, the provisions of this section shall only apply to the first transaction carried out.

The execution of a Related-Party Transaction puts the director who engages in said transaction or is related to the person engaging in the transaction in a conflict of interest, for which reason the duty to abstain in the deliberation and voting on the approval resolution shall apply.

The Company shall publicly announce Related-Party Transactions no later than the time of execution thereof in the cases, to the extent and in the manner prescribed by law.

The Company shall also report Related-Party Transactions in the half-yearly financial report, in the annual corporate governance report, and in the notes to the annual financial statements.

In any event, directors must give written notice to the secretary of the Board of Directors, on a half-yearly basis, regarding the Related-Party Transactions in which they or persons connected to the Company and related to such directors have engaged.



D.2 Give individual details of operations that are significant due to their amount or of importance due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10% or more of the voting rights or who are represented on the board of directors of the company, indicating which has been the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

Name or company name of the shareholder or any of its subsidiaries	Shareholding	Name or company name of the company or entity within its group	Nature of the relationship	Type of operation and other information required for its evaluation	Amount (thousands of euros)	Approving body	Identity of the significant shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against the majority of independents

D.3 Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the administrators or managers of the company, including those operations carried out with entities that the administrator or manager controls or controls jointly, indicating the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

Name or company name of the administrators or managers or their controlled or jointly controlled entities	Name or company name of the company or entity within its group	Relationship	Nature of the operation and other information necessary for its evaluation	Amount (thousands of euros)	Approving body	Identity of the shareholder or director who has abstained	The proposal to the board, if applicable, has been approved by the board without a vote against the majority of independents
MR XABIER SAGREDO ORMAZA	Iberdrola Clientes, S.A. (Sociedad Unipersonal), an indirectly wholly-owned company.	Mr Xabier Sagredo Ormaza, a director of Iberdrola, S.A., is chairman of the Board of Bilbao Bizkaia Kutxa	Sponsorship agreement to promote activities of general interest within the framework of	422	Board of Directors	Mr Xabier Sagredo Ormaza	YES



		Fundación Bancaria	the BBK-Klima project			
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Observations
The amount will be paid over the term of the contract (until 31 December 2025) as follows: (i) €204.1 thousand in 2021; and (ii) €54.6 thousand in the years 2022 through 2025.

- D.4 Report individually on intra-group transactions that are significant due to their amount or relevant due to their subject matter that have been undertaken by the company with its parent company or with other entities belonging to the parent's group, including subsidiaries of the listed company, except where no other related party of the listed company has interests in these subsidiaries or that they are fully owned, directly or indirectly, by the listed company.

In any case, report any intragroup transaction conducted with entities established in countries or territories considered as tax havens:

Company name of the entity within the group	Brief description of the operation and other information necessary for its evaluation	Amount (thousands of euros)

Observations
Transactions with subsidiaries and companies in which the Company has an interest that have not been eliminated in the process of consolidation were made in the ordinary course of business of the Company, were carried out under arm's-length conditions, and are of little significance to accurately reflect the assets, financial condition and results of operations of the Company.

- D.5 Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with other related parties pursuant to the international accounting standards adopted by the EU, which have not been reported in previous sections.

Company name of the related party	Brief description of the operation and other information necessary for its evaluation	Amount (thousands of euros)

- D.6 Give details of the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management, significant shareholders or other associated parties.

Pursuant to the Regulations of the Board of Directors, a conflict of interest shall be deemed to exist in those situations provided by law, and particularly when the interests of the director, either for their own or another's account, directly



or indirectly conflict with the interest of the Company or of companies within the group and with their duties to the Company.

An interest of the director shall exist when the matter affects the director or a person related thereto.

The Regulations of the Board of Directors deem the following to be persons related to a Director:

- a) The director's spouse or person related to the director by a like relationship of affection.
- b) The ascendants, descendants and siblings of the director or of the director's spouse (or of a person with a like relationship of affection).
- c) The spouses of the director's ascendants, descendants and siblings.
- d) Companies or entities in which the director directly or indirectly holds, including through an intermediary, an interest that gives the director significant influence or in which the director holds a position on the management body or within the senior management thereof or of its controlling company. For these purposes, it is assumed that any interest equal to or greater than ten per cent of the share capital or voting rights or based on which representation on the company's management body could be obtained, in fact or by law, provides a significant influence.
- e) Shareholders that the director represents on the Board of Directors.

Conflicts of interest shall be governed by the following rules:

1. Communication: once a director becomes aware of being in a situation of conflict of interest, the director must give written notice of the conflict to the Board of Directors, in the person of the secretary thereof, as soon as possible. The secretary shall periodically submit a copy of the notices received to the Appointments Committee, in the person of the secretary thereof.

The notice shall contain a description of the situation giving rise to the conflict of interest, with a statement as to whether it is a direct conflict or an indirect conflict through a related person, in which case the latter person must be identified.

Any question as to whether a director might be involved in a conflict of interest must be forwarded to the secretary of the Board of Directors.



2. Abstention: a director must refrain from taking any action until the Board of Directors reviews the case, approves the appropriate decision and informs the director thereof.

To this end, the director shall leave the meeting during the deliberation and voting on those matters in which the director is affected by a conflict of interest, and shall not be counted in the number of members in attendance for purposes of the calculation of a quorum and the majorities required for approving resolutions.

At each meeting of the Board of Directors and of the committees thereof, the secretary shall remind the directors, before dealing with the agenda, of the abstention rule.

3. Transparency: whenever required by law, the Company shall report any cases of conflict of interest in which the directors have been involved during the financial year in question and of which the Company is aware by reason of notice given thereto by the director affected by such conflict or by any other means.

In those instances in which the conflict of interest is, or may reasonably be expected to be, of such a nature that constitutes a structural and permanent conflict of interest between the director (or a person related thereto) and the Company or the companies forming part of the group, it shall be deemed that the director lacks, or has lost, the competence required to hold office.

Conflicts of interest with officers are subject to the same rules of communication, abstention and transparency.

Transactions with significant shareholders are governed by the rules described in Section D.1 of this Report.

- D.7 Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them.

Yes

No



E RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the company's financial and non-financial risk management and control system, including tax risk.

Pursuant to the three lines model, Iberdrola's General Risk Control and Management Policy and the risk policies (corporate and those specific to the businesses) in development thereof are implemented within a comprehensive risk control and management system, supported by the group's Risk Committee and based upon a proper definition and allocation of duties and responsibilities at the operating level and upon supporting procedures, methodologies and tools, suitable for the various stages and activities within the system, including:

- a) The establishment of a structure of risk policies, guidelines, limits and indicators, as well as of the corresponding mechanisms for the approval and implementation thereof.
- b) The ongoing identification of significant risks and threats, taking into account their possible impact on key management objectives and the financial statements (including contingent liabilities and other off-balance sheet risks).
- c) The analysis of such risks, both at each corporate business or function and taking into account their combined effect on the group as a whole.
- d) The measurement and control of risks following homogeneous procedures and standards common to the entire group.
- e) The analysis of risks associated with new investments, as an essential element in risk/return-based decision-making, including physical and transition risks related to climate change.
- f) The maintenance of a system for monitoring and control of compliance with policies, guidelines and limits, by means of appropriate procedures and systems, including the contingency plans needed to mitigate the impact of the materialisation of risks.
- g) The ongoing evaluation of the suitability and efficiency of applying the system and the best practices and recommendations in the area of risks for eventual inclusion thereof in the model.
- h) The audit of the comprehensive risk control and management system by the Internal Audit Division.

The foregoing is undertaken in accordance with the following main principles of conduct:

- a) Integrate the risk/opportunity vision into the group's management, through a definition of the strategy and the risk appetite and the incorporation of this variable into strategic and operating decisions.



- b) Segregate functions, at the operating level, between areas that assume risks and areas responsible for the analysis, control and monitoring of such risks, ensuring an appropriate level of independence between them.
- c) Guarantee the proper use of risk-hedging instruments and the maintenance of records thereof as required by applicable law.
- d) Inform regulatory agencies and the principal external players, in a transparent fashion, regarding the risks facing the group and the operation of the systems developed to monitor such risks, maintaining suitable channels of communication.
- e) Ensure appropriate compliance with the corporate governance rules established by the Company through its Governance and Sustainability System and the update and continuous improvement thereof within the framework of the best international practices as to transparency and good governance, and implement the monitoring and measurement thereof.
- f) Act at all times in compliance with the values and standards of conduct reflected in the Code of Ethics, under the principle of “zero tolerance” for the commission of unlawful acts and situations of fraud set forth in the Crime Prevention Policy and in the Anti-Corruption and Anti-Fraud Policy and the principles and good practices reflected in the Corporate Tax Policy.

The General Risk Control and Management Policy and the risk policies apply to all companies that make up the group, over which the Company has effective control, within the limits established by the laws applicable to the regulated activities carried out by the group in the various countries in which it operates.

Excluded from the scope of this policy are listed country subholding companies and the subsidiaries thereof which, pursuant to their own special framework of strengthened autonomy, have their own risk policies approved by their competent bodies. In any event, said risk policies must be in accord with the principles set forth in risk policies of the group.

At those companies over which the Company does not have effective control, the Company shall promote principles, guidelines, and risk limits consistent with those established in the General Risk Control and Management Policy and in its supplemental risk policies and shall maintain appropriate channels of information to ensure a proper understanding of risks.

Iberdrola believes that its comprehensive risk control and management system operates on a comprehensive and continuous basis, strengthening such management by business unit or activity, subsidiaries, geographic areas and corporate-level support areas.

- E.2 Identify the bodies within the company responsible for preparing and executing the financial and non-financial risk management and control system, including tax risk.

1. BOARD OF DIRECTORS



In the area within its purview, and with the support of the Audit and Risk Supervision Committee, it must use develop all of its capabilities in order for the significant risks of the group to be adequately identified, measured, managed and controlled, and to establish through the General Risk Control and Management Policy the mechanisms and basic principles for appropriate management of the risk/opportunity ratio. By virtue thereof, it defines the risk strategy and profile of the group and approves the risk policies.

2. EXECUTIVE COMMITTEE

In order to conform the impact of the risks to the established appetite, upon the proposal of affected business or corporate divisions and after a report from the group's Risk Committee, it annually reviews and approves the specific guidelines regarding the risk limits of the corporate risk policies.

3. AUDIT AND RISK SUPERVISION COMMITTEE.

As a consultative body of the Board, it is vested with various powers relating to the Comprehensive Risk Control and Management System, as set forth in Articles 3, 5, 6 and 10 of the Regulations thereof.

This includes the following (by way of example and based on the importance thereof):

- Conduct a periodic review of the risk policies on at least an annual basis.
- Continuously review and supervise the effectiveness of the internal control and risk management systems, such that the principal risks are properly identified, managed and reported.
- Obtain and analyse with the external auditor information regarding any significant deficiency in internal control that the statutory auditor detects.
- Ensure that the internal control policies and systems are effectively applied.
- As regards the activities of the Risk Management and Internal Assurance Division, which is functionally controlled by the Committee: i) supervise the activities and ensure the effectiveness thereof, and ii) approve the direction and the annual management plan of the Division and its budget.
- Evaluate the various risk tolerance levels established in the risk policies in order to, if appropriate, propose the adjustment thereof.
- Promoting a risk-avoidance culture.
- Endeavour to ensure that the group's internal control and risk management system identifies at least: i) the different types of financial and non-financial risks, ii) the establishment and review of the risk levels that the Company deems acceptable, iii) the measures planned in order to mitigate the impact of identified risks in the event they occur, and iv)



the information and internal control systems used to monitor and manage the risks.

- At least annually, call a meeting with each of the heads of the businesses of the group and of the relevant corporate areas to exercise the powers of the Committee to be informed of the trends of their respective businesses or corporate areas and the risks associated therewith, all without prejudice to the corporate and governance structure of the group, pursuant to which each of the country subholding companies directly and effectively manages the risks of their businesses.
- Maintain appropriate relationships with the audit and compliance committees of the other companies of the group.
- Identify and evaluate emerging risks.
- Obtain credible information as to whether the most significant risks are managed and maintained within the tolerance figures that have been established.
- Receive information from the Company's tax director regarding the tax guidelines applied during the financial year, and particularly regarding the level of compliance with the Corporate Tax Policy, as well as regarding the tax consequences of transactions or matters that must be submitted to the Board of Directors for approval when such consequences represent a significant issue.

4. BOARDS OF DIRECTORS OF COUNTRY SUBHOLDING AND HEAD OF BUSINESS COMPANIES

The country subholding companies adopt the group's risk policies and specify the application thereof, approving the guidelines on specific risk limits. The audit and compliance committees of such companies shall report to the Board of Directors on the internal control and risk management systems.

The management decision-making bodies of the head of business companies of each country or region approve the specific risk limits applicable to each of them and implement the necessary control systems.

Pursuant to their special framework of strengthened autonomy, the listed companies of the group have their own risk policies, which are aligned with those of the group.

5. GROUP RISK COMMITTEE

This is a technical body that is chaired by the Risk Management and Internal Assurance Director and that performs executive duties in the customary management of risks and provides advice to the governance bodies of the group.

- It meets at least once a month, with the participation of the group's Risk Management director, the risk directors of the country subholding companies and corporate areas that have such a position, the Internal Audit Area and the Administration and Control Division.



- It reviews new reported risks and the reports monitoring the main existing risks, and issues the Quarterly Risk Report of the group, which includes the main risk positions, the report on compliance with policies and risk limits and indicators, and the update of the key risks map.

It is supplemented by the credit risk and market risk committees, which report to the former, and which meet on a monthly basis.

- E.3 Indicate the main financial and non-financial risks, including tax risks, as well as those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant and may affect the achievement of business objectives.

The group is subject to various risks inherent in the different countries, industries and markets in which it does business and in the activities it carries out, which may prevent it from achieving its objectives and successfully implementing its strategies.

In the “Principal risks and uncertainties” section of the Management Report of the consolidated Annual Financial Report for financial year 2021, there is a detailed description of the principal risks of the group.

Pursuant to the definitions established by the General Risk Control and Management Policy, risks at the group level are classified as follows:

- Corporate governance risks.
- Market risks.
- Credit risks.
- Business risks.
- Regulatory and political risks.
- Operational, technological, environmental, social and legal risks.
- Reputational risks.

Given the multidimensional nature of the risks, the taxonomy includes additional classification variables for improved monitoring, control and reporting of these risks through the monitoring tools. These additional categories include:

- The classification of risks into structural, current and emerging, the latter of which are understood as possible new threats with an uncertain impact and undefined probability, and which are growing.
- The inclusion of secondary risk factors, including environmental, sustainability and governance (environmental, social and governance, or “ESG”), with potential reputational impacts, including those relating to climate change, fraud or corruption, corporate governance, regulatory compliance, tax, labour and diversity, impacts on local communities, safety and health of people, cybersecurity, and third party risk factors.



Furthermore, Iberdrola has a Compliance System made up of a set of substantive rules, formal procedures and significant actions intended to ensure that conduct is in accordance with ethical principles and applicable law, preventing, avoiding and mitigating the risk of conduct that is improper or contrary to ethics or the law.

Elements of the system include the Code of Ethics (which is applicable to all professionals of the group, board members and suppliers) and the Compliance Unit, a collective permanent and internal body linked to the Sustainable Development Committee, which, among other things, spreads a preventive culture based on the principle of “zero tolerance” towards the commission of illegal acts and improper conduct. The System has been designed following the best domestic and international practices in the area of compliance, fraud prevention and the fight against corruption.

Finally, in relation to possible risks with a reputational impact, the following is reported:

- The proceeding that commenced in April 2017 when the Public Prosecutor filed a claim against Iberdrola Generación España, S.A.U., bringing before the courts an adverse government ruling by the National Markets and Competition Commission (*Comisión Nacional de los Mercados y de la Competencia*) (“CNMC”), which was appealed to the contentious-administrative courts, relating to the price of bids for the Duero, Sil and Tajo hydroelectric management units between 30 November 2013 and 23 December 2013.
- The hiring of entities linked to the former police commissioner José Manuel Villarejo Pérez, a matter disclosed in section C.1.37.
- The commencement of an oral criminal trial ordered by Preliminary Examining Court No. 4 of Valladolid for the alleged Wind Farm Payoff Scheme (*Trama Eólica*) in Castile-León, which orders Iberdrola Renovables de Castilla y León S.A. to appear as a party with potential subsidiary civil liability in the amount of €11,257,500, jointly and severally with the Regional Government of Castile and León.

For more details regarding the risks to which the group is subject, see:

- The “Risks” subsection of the “Climate Action” section of the Statement of Non-Financial Information-Sustainability Report 2021.
- Section 5.3 “Risks” of the Integrated Report February 2022.

The activities of the group during financial year 2022 and subsequent years will be particularly affected by the following main risk factors:

- The aforementioned ESG risks.



- Changes in the interest rate and exchange rate of the principal countries in which the group does business, as well as inflation.
- Changes in international gas prices and emission allowances (or equivalent mechanisms) and their impact on electricity prices.
- Competition in the liberalised market.
- The annual change in hydraulic, solar and wind resources.
- The ability to implement the major investment plan, in terms of cost and timing.
- Financial and reputational risk arising from a potential increase in cybersecurity attacks or incidents. There are regular appearances before the Audit and Risk Supervision Committee of executive officers competent to report on this issue.
- Changes in industry regulations, particularly in Spain and Mexico.

E.4 Indicate whether the entity has risk tolerance levels, including for tax risk.

The Company's Board of Directors reviews and approves the risk tolerance level that is acceptable for the group on an annual basis. The General Risk Control and Management Policy, together with the policies that further develop and supplement it, qualitatively and quantitatively establish the annually accepted risk appetite, in a sufficiently detailed manner, both at the group level and at the level of each of its principal businesses and corporate functions, in accordance with the objectives established in the multi-year plan and the corresponding annual budgets.

By way of complement, the Administration and Control Division, after considering such limits and guidelines, in order to verify the risk globally assumed in the annual profit and loss account, engages in a comprehensive probability analysis of the global risk remaining for the financial year at the time of approving the annual budget.

In addition, all new multi-year plans are accompanied by their corresponding analysis of associated risk.

The General Risk Control and Management Policy is further developed and supplemented through the following policies, which are also subject to approval and update by the Company's Board of Directors, and which include the following risk limits and indicators:

Corporate Risk Policies:

- Corporate Credit Risk Policy
- Corporate Market Risk Policy
- Operational Risk in Market Transactions Policy
- Insurance Policy



- Investment Policy
- Financing and Financial Risk Policy
- Treasury Share Policy
- Risk Policy for Equity Interests in Listed Companies
- Information Technology Policy
- Cybersecurity Risk Policy
- Reputational Risk Framework Policy
- Purchasing Policy
- Occupational Safety and Health Risk Policy

Risk policies for the various businesses of the group:

- Risk Policy for the Networks Businesses of the Iberdrola group
- Risk Policy for the Renewable Energy Businesses of the Iberdrola group
- Risk Policy for the Liberalised Businesses of the Iberdrola group
- Risk Policy for the Real Estate Business

The General Risk Control and Management Policy, as well a summary of the risk policies in further implementation thereof, are available on the corporate website.

The limits and indicators of the risk policies should be consistent with the annual budget and the objectives set forth in the multi-year investment plans. The numeric values of the limits and indicators set forth in the various policies are probabilistic in nature (like VaR and EBITDA at risk) or deterministic in nature, and are expressed in monetary units, indices or benchmarks based on which volumetric risks and/or values are generated, including:

- limits on the maximum overall credit risk exposure by type of counterparty;
- limitations on market risk proportional to the volume of activity of each business;
- strict overall limit on the discretionary trading of energy;
- limitations on operational risk through preventative maintenance programmes and assurance programmes; and
- strict limitations on activities not associated with the main energy business.

The Corporate Tax Policy establishes the limits on tax risk by setting the tax strategy, the principles of conduct and the good tax practices assumed by the Company.

As described above, the Iberdrola group has a risk tolerance level (acceptable risk level) established at the corporate level, which is annually approved by the Board of Directors and its Executive Committee. The group's Risk Committee, the Operating Committee, the Audit and Risk Supervision Committee, the businesses,



the corporate functions and the Risk Management and Internal Assurance Division also participate in the process.

E.5 Indicate which risks, including tax risks, have materialised during the year.

The activities of the Iberdrola group during 2021 were affected by various risks that materialised in the countries and markets in which it operates. Thanks to a diversification of activities, markets and geographical regions (which allowed the negative impacts on some businesses to be offset by favourable performance in others) and the measures adopted by the group, the overall impact on the group's consolidated financial statements has been limited.

Risks that have materialised include the following:

In Spain The various measures of intervention in the Spanish electricity market approved by the Government, following a progressive and high rise in prices in the international gas and CO2 markets, including, amongst others:

- Royal Decree-Law 17/2021 of 14 September, and Royal Decree-Law 23/2021 of 26 October partially mitigating the effect of the former, which have had an insignificant impact on the Group's consolidated Annual Financial Statements for 2021.
- Proposed law on CO2 price reduction, currently in the parliamentary process.

In the United States (Avangrid): The suspension of construction of the new transmission line (NEW ENGLAND CLEAN ENERGY CONNECT "NECEC") following the referendum in Maine, and the non-approval by the New Mexico state regulator of the merger between PNM Resources and Avangrid. Both decisions have been appealed to the Supreme Courts of Maine and New Mexico, respectively.

In the United Kingdom:

- The extraordinary impact on the group's profit and loss account of the increase in UK corporate tax in the total amount of €453 million.
- Lower wind resource (28% lower than expected) in a high price scenario.

In Mexico: The proposed constitutional, currently under debate, which aims to repeal the current legal framework for the country's electricity industry set out in the Electricity Industry Act (*Ley de la Industria Eléctrica*) and the Public Electricity Service Act (*Ley del Servicio Público de la Energía Eléctrica*) of 1992.

Other risks that have materialised:

- The write-down of Neoenergia's stake in the Belomonte hydroelectric plant, after classifying it as held for sale, with an impairment of R\$483.
- The provision made in accounts receivable from our discontinued Engineering business of US\$41 million, associated with the enforced guarantee of the



Salem Project, after receiving confirmation that probable recoverability is only US\$89 million of the US\$130 million disbursed.

Positive developments include the following:

The Supreme Court ruling declaring the hydroelectric fee to be illegal, with a positive impact on EBITDA of €951 million, due to lower taxes for the period 2013-2020, plus €155 million in interest, to which should be added the €284 million fee that would have accrued in 2021.

- E.6 Explain the response and oversight plans for the company's main risks, including tax risks, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise

The comprehensive risk control and management system, together with the control and management policies and systems that implement them, including the group's Risk Committee and the Company's Operating Committee, have allowed for the identification of risks and new threats sufficiently in advance, as well as for establishing appropriate mitigation plans.

The Company's Operating Committee meets on an approximately weekly basis.

The group's Risk Committee, which reviews the evolution of the various risks, meets on a monthly basis, and on a quarterly basis issues the Quarterly Risk Report of the group, which includes the main risk positions, the report on compliance with policies and limits approved, and the update of the key risks map.

On at least a quarterly basis, the Audit and Risk Supervision Committee of the Board of Directors supervises the evolution of the Company's risks:

- It reviews the group's Quarterly Risk Report submitted by the group's Risk director.
- It coordinates and reviews the Risk Report submitted on a regular basis (at least half-yearly) by the audit and compliance committees of the business subholding companies of the group.
- On at least a half-yearly basis, it prepares a Risk Report for the Board of Directors.



F INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms forming your company's Internal Control over Financial Reporting (ICFR) system.

F.1 The entity's control environment

Report on at least the following, describing their principal features:

- F.1.1. The bodies and/or departments that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its supervision.

Iberdrola's Board of Directors is ultimately responsible for implementing and maintaining a proper and effective internal control over financial reporting ("ICFR") system. The Boards of Directors of each of the country subholding companies and of the head of business companies also have this responsibility within their respective purview.

The heads of the country subholding companies and of the head of business companies, together with their respective heads of control, as well as the directors of the corporate areas, are in turn responsible for the design and implementation of the ICFR system. This responsibility is explicitly set forth in the certifications that said persons sign on a half-yearly basis in relation to the financial information for their respective areas of responsibility.

Pursuant to Article 31.6.d of the Regulations of the Board of Directors, the Audit and Risk Supervision Committee (hereinafter, "ARSC") is responsible for supervising the effectiveness of the internal control of the Company and of its group, as well as the risk management systems thereof. Article 31.6.f also provides that the duties of the ARSC include that of supervising the process of preparing and presenting mandatory financial information and submitting recommendations or proposals to the Board of Directors to protect the integrity of this information.

The ARSC is supported by the Risk Management and Internal Assurance Area and the Internal Audit Area in the performance of its powers with respect to the internal control and risk management systems. Any audit committees at the country subholding and head of business companies have these powers within their respective purview.

The mission of the Risk Management and Internal Assurance Area, which is functionally subordinate to the ARSC (according to the IIA 2020 "Three Lines Model" of The Institute of Internal Auditors, this area would be a "second line"), is to ensure the proper definition, implementation and maintenance of the ICFR system, assuring Senior Management and the Board of Directors, through the ARSC, that it is effective.



F.1.2. Indicate whether the following exist, especially in relation to the drawing up of financial information:

- Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity.

The Board of Directors of Iberdrola defines the organisational structure at the first level. The heads of these top-level organisations, together with the Human Resources, General Services and Corporate Security Division, implement the deployment within their respective purview.

Each top-level division prepares a proposed organisational structure, including a description of the mission, duties and responsibilities of the various organisations deployed, which must subsequently be validated by the Human Resources, General Services and Corporate Security Division, as well as by the Finance, Control and Resources Area.

The main responsibility for preparing financial information lies with the corporate Administration and Control Division. This division proposes the structure of heads of Control of the country subholding and head of business companies and deals with coordinating and supervising the conduct thereof.

- Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analysing breaches and proposing corrective actions and sanctions.

The Iberdrola group has a Code of Ethics that was first approved by the Board of Directors in financial year 2002, and that is regularly reviewed and updated.

The Code of Ethics is communicated and disseminated among the professionals of the Iberdrola group in accordance with the plan approved annually for this purpose by the Compliance Unit of Iberdrola (the “Unit”), which provides for various initiatives in the area of training (both on-line and in-person) and communication, addressed to the various groups of professionals based on their exposure to Compliance risks.

The Code of Ethics, which includes informational transparency among its general ethical principles and principles on relations with Iberdrola’s stakeholders, expressly states the following in Article B.6.:



“1. The group shall provide true, proper, useful and reliable information regarding its performance and relevant conduct. The transparency of the information required to be disclosed is a basic principle that must govern the conduct of all directors, professionals and suppliers of the group.

2. The financial information of the group, and particularly the annual financial statements, shall reflect in all material respects a true and fair view of its assets, financial position and results as provided by law. For such purposes, no directors, professional or supplier shall conceal or distort the information set forth in the accounting records and reports of the group, which shall be complete, accurate and truthful.

3. A lack of honesty in the communication of information, whether within the group (to professionals, subsidiaries, departments, internal bodies, management decision-making bodies, etc.) or externally (to auditors, shareholders and investors, regulatory entities, the media, etc.) is a breach of this Code of Ethics. This includes delivering incorrect information, organising it in an incorrect manner or seeking to confuse those who receive it.”

The Unit, which is a collective permanent and internal body linked to the Sustainable Development Committee of Iberdrola, controls the effective operation of the Company’s Compliance System, with powers in the area of compliance. The duties of the Unit include ensuring the application of the Code of Ethics and of the other rules of the group in the compliance area, and the spread of a preventive culture based on the principle of “zero tolerance” towards the commission of unlawful acts. It also approves the “General Compliance System Framework of the Iberdrola group”, which contains the basic principles of structure and operation of the group’s Compliance System as well as the duties and responsibilities of the various bodies involved. The Unit also evaluates and prepares an annual report on the effectiveness of the Compliance System of Iberdrola and of the Iberdrola group. The report is submitted to the Sustainable Development Committee, which issues its opinion and forwards it to the Board of Directors.

The Unit is also in charge of investigating grievances and potential improper activities in order to determine whether a professional of Iberdrola has acted contrary to the provisions of applicable law or the Code of Ethics, and if applicable, to submit its conclusions to the Human Resources, General Services and Corporate Security Division for it to decide on the application of disciplinary measures in accordance with the offences and penalties system set forth in the collective bargaining agreement to which the professional belongs or in applicable labour law. The Compliance divisions of the other companies of the group perform this same function at each of them.



Pursuant to Article F.5.1 of the Code of Ethics, directors, professionals and suppliers of the group expressly accept the rules of conduct established therein that are applicable thereto.

Pursuant to Article F.5.2, professionals who hereafter join or become part of the group and suppliers contracting with companies of the group shall also expressly accept the rules of conduct to which they are subject as set forth in sections D (for professionals of the group) and E (for suppliers), respectively, of the Code of Ethics.

Likewise, directors shall receive a complete copy of the Code of Ethics, for which they shall deliver a signed receipt.

- Whistleblower channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, indicating whether this channel is confidential and whether anonymous notifications can be made, protecting the rights of the whistleblower and the person reported.

Iberdrola has various ethics mailboxes based on the sender: (i) ethics mailboxes for the professionals of the group; (ii) the mailbox available to shareholders and investors; and (iii) the suppliers' mailbox, accessible from the Employee Portal, from the OLS "On Line Shareholders" system or their mobile app, and from the Supplier Portal, respectively. These channels allow for communicating and complaining of any conduct that may involve the commission of an improper act or an act in violation of legal provisions or of the rules of conduct laid down in the Code of Ethics or for asking questions regarding any issue with respect to compliance.

Identification of the complaining party or whistle-blower is not required to send a complaint through these mailboxes (complaints may be anonymous), and if one does so Iberdrola guarantees absolute confidentiality with respect to both the information provided and the personal data of the reporting party. The group naturally states its commitment to not retaliate against any professional making a complaint, unless there is bad faith on the party of the complaining party.

- Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.

Training is key in Iberdrola's human resources policy and is an essential element for adapting new professionals to Iberdrola and the proper performance of their jobs, as well as to keep the



group's employees updated regarding any changes that occur within the group itself as well as the environment within which it does business.

As an example of the commitment to training, Iberdrola has a corporate campus with multiple training centres in various countries, including the International Corporate Campus in San Agustín de Guadalix (Madrid). Training in all areas is provided at these facilities by internal professionals, outside entities, universities, outside experts, etc.

Specifically, the personnel directly or indirectly involved in the preparation and review of financial information and in the evaluation of the ICFR system, based on their different responsibilities, receive regular training on accounting standards, auditing, internal control and risk management, which is intended to give them the knowledge needed for the optimal performance of their duties as well as to anticipate, to the extent possible, the proper alignment of the group with future rules and best practices. Most of these courses are provided by outside entities: business schools, universities and consultants specialising in economic/financial matters.

In addition, and on a general basis, these professionals regularly take coursework to improve their qualifications in the use of the computer-based tools required to perform their duties, mainly Excel and database management.

They also attend various conferences, symposia and seminars in the areas of accounting, tax and internal audit, at both the domestic and the international level.

Furthermore, in order to pool best practices and analyse the challenges facing the group in these areas, various meetings among the professionals of these areas from the different countries and country subholding companies are organised on an annual basis. Specifically, in 2021 there were, among other events, the annual III International Internal Audit Planning Days and the "XIV Global Control Committee", which analyses the most significant issues affecting the function, like new accounting rules.

As in 2020, a large portion of the activities and actions mentioned above have been carried out mainly virtually, due to the situation caused by COVID-19.

In addition, although not considered specific training activities, the Accounting Practice Division, which reports directly to the director of Administration and Control, who is responsible for defining and updating the accounting policies, publishes a quarterly bulletin that is broadly distributed within the group regarding new accounting developments with respect to International Financial Reporting Standards ("IFRS"), which includes updates on standards (standards that have entered into effect, drafts issued, standards issued, standards approved



by the European Union, new standards and expected drafts, as well as existing standards) and accounting questions asked internally, together with the conclusions with respect thereto.

F.2 Assessment of risks in financial reporting

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including risks of error and fraud, as regards:

- Whether the process exists and is documented.

The process of identifying risks of error in financial information is one of the most important steps within the methodology used for implementing Iberdrola's ICFR system, documenting both the objectives and performance thereof as well as its results.

The methodology, developed and updated by the Risk Management and Internal Assurance Area, starts with an analysis of the consolidated financial information of the Iberdrola group and of the various country subholding companies, in order to select the most significant accounting headings and notes, pursuant to quantitative (materiality) and qualitative (business risk and third-party visibility) standards. The headings and notes selected are grouped into management cycles or large processes in which the selected information is generated. The cycles are analysed and a high-level description of each of them is prepared as a means for identifying the potential risks of error in the financial information in relation to attributes like integrity, presentation, valuation, cut-off, recording and validity. The risks identified are subject to a process of assessment, selecting the most significant ones, applying professional judgement regarding a number of indicators (existence of documented processes and controls, intervention of systems that automate the process, occurrence of incidents in the past, familiarity with and maturity of the process, and need for the use of judgement to make estimates). The risks of fraud are not subject to explicit identification, although they are taken into account to the extent that they can generate material errors in the financial information.

Once the most significant risks have been selected and the main aspects to be controlled are identified, the controls required for the mitigation or management thereof are selected and designed, with these controls being subject to monitoring and documentation within the scope of the ICFR system.



The Risk Management and Internal Assurance Area provides specialised knowledge regarding internal control and carries out duties of support and coordination throughout the process described above, endeavouring to ensure the consistency and homogeneity of the model within the group, as well as the efficiency and effectiveness thereof.

The selected risks are reviewed at least annually within the framework of the assessment of the effectiveness of the internal control system performed by those responsible for it with the support and coordination of the Risk Management and Internal Assurance Area. This review is intended to update the risks to the changing circumstances in which the Company operates, especially in the event of changes in the organisation, computer systems, regulation, products or the status of the markets.

The above risks, together with the controls that mitigate them, are systematically reviewed by the Internal Audit Area.

- Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often.

As mentioned above, the cycles or large processes in which financial information is generated are reviewed at least on an annual basis to identify potential risks of error in relation to attributes like validity (existence and approval), integrity, valuation, presentation, cut-off and recording.

- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles.

The scope of consolidation is identified on a monthly basis, and is used to produce an updated map of companies, expressly identifying the changes that have occurred each period.

The scope of this review is the totality of companies in which Iberdrola or any of its subsidiaries has an interest, regardless of the significance thereof.

Furthermore, following the provisions of Section 529 of the Companies Act, the Regulations of the Board of Directors provide that the purview of the Board of Directors includes, among other things, approving the creation or acquisition of equity interests in special purpose entities or entities registered in countries or territories that are considered to be tax havens, as well as any other transactions of a similar nature that, due to their complexity, might diminish the transparency of the group. In any event, the making of



such decisions requires a prior report of the ARSC, as provided in its Regulations.

Pursuant to specific internal procedures in effect (conforming to the current corporate governance model), the initiative relating to the creation or acquisition of an interest in a special purpose entity or an entity domiciled in a tax haven is within the purview of the management of the group or of the country subholding company or head of business company or subsidiary thereof that intends to create or acquire a company of this nature. In the event that such transactions are carried out by listed country subholding companies of the group or by subsidiaries thereof, it shall be within the purview of the audit and compliance committee or similar body of such listed country subholding company.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

The process of identifying risks of error in financial information takes into account the effects of other types of risk (operational, technological, legal, tax, reputational, environmental, etc.) to the extent that they significantly affect the financial statements. These risks are assessed and managed by various corporate units such as the Risk Management Division or Legal Services, among others. However, there is no express identification of such other types for the categorisation of financial information risks.

- The governing body within the company that supervises the process.

The governing body that supervises the process is the ARSC, which is supported by the Risk Management and Internal Assurance Area and the Internal Audit Area in the performance of this duty.

F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

- F.3.1. Review and authorisation procedures for financial information and a description of the ICFR, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including accounting closing procedures and the



specific review of significant judgements, estimates, valuations and projections.

On 19 April 2021, Iberdrola's Board of Directors updated the Iberdrola group Financial Information Preparation Policy that applies to all companies of the group, and which further develops the process for preparing the consolidated financial information and clearly defines the powers vested in the ARSC and the audit and compliance committees of the other companies of the group.

"Consolidated financial information" means the information appearing in the consolidated annual financial statements, in the interim management statements corresponding to the results of Iberdrola and its consolidated group for the first and third quarter, and in the Half-Yearly Financial Report.

The policy provides that the financial information required for the preparation of the "consolidated financial information" must be prepared in accordance with the accounting standards established in the Accounting Policies Handbook and the models approved by Iberdrola's Administration and Control Division.

The policy provides which management decision-making body of each company shall be responsible for preparing the financial information relating to its respective company that may be required to prepare the "consolidated financial information". By analogy, the management decision-making bodies of the country subholding companies shall be responsible for approving the "financial information for consolidation" within which the information regarding the company itself and that of the subsidiaries forming part of its subgroup are included.

Thus, the management decision-making bodies of the country subholding companies, following a report from their respective audit and compliance committees, and based on the information received from their subsidiaries, shall prepare and approve the financial information for consolidation corresponding to each subgroup, and once such information has been verified by their external auditor within the context of its review of the consolidated financial information, they shall send it to Iberdrola's Administration and Control Division prior to the date indicated thereby, in order to prepare the consolidated financial information and submit it for formulation or approval by Iberdrola's Board of Directors, as appropriate, after a report from its ARSC.

Furthermore, the process or structure of certification of the financial information managed and coordinated by the Risk Management and Internal Assurance Area, which is formally carried out on a half-yearly basis, coinciding with the interim and annual close, reflects the form in which the financial information is generated within the group.

In this structure, the heads of the country subholding companies and the heads of the head of business companies, together with their respective heads of control, as well as the heads of the global corporate areas, certify both the reliability of the financial information regarding their



areas of responsibility (which is the information they provide for consolidation at the group level) and the effectiveness of the internal control system established to reasonably guarantee such reliability. Finally, the chairman & CEO, as the top responsible executive, and the General Finance, Control and Resources Director (CFO), who is responsible for the preparation of the financial information, certify to the Board of Directors the reliability of the consolidated annual financial statements and the Half-Yearly Financial Report.

The ARSC, with the support of the Risk Management and Internal Assurance Area and the Internal Audit Area, supervises the entire process of certification, submitting to the Board of Directors the conclusions obtained from this analysis at the meetings during which the financial statements are formally prepared.

As regards the description of the ICFR system to be published in the securities markets, the procedure for the review and approval thereof is the same as the one used for all disclosures of an economic and financial nature in the Annual Corporate Governance Report.

The documentation of the ICFR system includes high-level descriptions of the cycles for generating the selected relevant financial information, as well as detailed descriptions of the prioritised risks of error and of the controls designed for the mitigation or management thereof. The description of the controls includes the evidence obtained for the implementation thereof, which is necessary for their review.

Each of the accounting close processes at the businesses is considered a cycle, and the same occurs with the group of accounting close activities at the corporate level, with the global consolidation process and with the process of preparing the notes to the financial statements. This means that all of these activities are subject to the methodological process described in the section relating to risks.

Furthermore, the specific review of critical accounting judgements, estimates, valuations and relevant projections is subject to specific controls within the model, as these types of issues involve risks of error in the various cycles in which they are made. The evidence of the specific controls is the support for such reviews in many cases.

Independently of the process of certification followed in the countries, businesses and corporate areas, the ARSC, with the support of the Internal Audit Area, performs a quarterly global review of the financial information, ensuring that the half-yearly financial reports and quarterly management statements are prepared using the same accounting standards as the annual financial reports, and verifies the proper definition of the scope of consolidation and the correct application of generally accepted accounting principles and international financial reporting standards.

- F.3.2. Internal IT control policies and procedures (access security, control of changes, system operation, operational continuity and segregation of duties, among others) which support significant processes within the



company relating to the preparation and publication of financial information.

The controls considered to mitigate or manage the risks of error in financial reporting include some relating to the most significant software applications, like the controls relating to user access permissions or those relating to the integrity of the transfer of information between applications, control of operations and change management.

In addition, the Iberdrola group has internal control guidelines and procedures regarding IT systems in relation to the acquisition and development of software, the acquisition of systems infrastructure, the installation and testing of software, change management, management of service levels, management of third-party services, security of the systems and access thereto, incident management, transaction management, continuity of operations and the segregation of functions.

These guidelines and procedures (which in some cases are different based on geographic area or type of solution, and are in a process of progressive homogenisation) are applied to all IT systems that support the relevant processes of generation of financial information, and to the infrastructure required for the operation thereof.

The Iberdrola group also has an Information Technologies (IT) Policy that contemplates the management of risks associated with the use, ownership, operation, participation, influence and adoption of specific information technology or the processes for the management and control thereof.

Thus, there is a model of general controls integrated within the risk management model that allows for a global evaluation of the risks related to information technology.

Both the risk model and the IT controls are based on and aligned with market best-practices, like COBIT5 and COSO. The evolution thereof over the long term is maintained by including the new needs arising from the changing regulatory compliance framework that applies to the IT systems and services, as well as the recommendations and guidelines of auditors and relevant third parties.

As part of the general IT controls model, there is a regular evaluation of the effectiveness of the information technology controls in the area of financial systems, adopting the appropriate measures if any incident is detected.

On an annual basis, the heads of the IT systems of the Iberdrola group certify the effectiveness of the internal controls established regarding the financial reporting systems. This certification covers the relevant financial systems based on the scope of the external financial audit and the considerations of systems organisation, internal assurance, internal audit and the relevant business organisations within the group.

For financial year 2021, the total number of systems covered by the IT controls system was 44, on which a model of 21 controls was applied,



most of which are evaluated and applied by the Systems Division, and in some cases by other business organisations. The frequency of the evaluation is annual or biannual, depending on the nature of the control, and it is performed using a principle of sampling of all of the relevant evidence in each case. The entire process of evaluating the IT controls is supported by a GRC system and is supervised annually by the Internal Audit Area.

- F.3.3. Internal control policies and procedures for overseeing the management of activities subcontracted to third parties, as well as of those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect financial statements.

In general terms, the Iberdrola group does not have significant functions subcontracted to third parties with a direct impact on financial information. The evaluations, calculations or assessments entrusted to third parties that could materially affect the financial statements are considered to be activities relevant to the generation of financial information leading to the identification of any priority risks of error, which involves the design of associated internal controls. These controls cover the internal analysis and approval of fundamental assumptions to be used, as well as the review of the evaluations, calculations or assessments made by outside parties, by comparing them to the calculations made internally.

F.4 Information and communication

Report on whether the company has at least the following, describing their main characteristics:

- F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The Accounting Practice Division, which reports to the Administration and Control director, is responsible for defining and updating the accounting policies, as well as for resolving questions or conflicts arising from the interpretation thereof. It maintains fluid communication with the heads of operation of the organisation, and particularly with the heads of the accounting functions.

It publishes a bulletin on a quarterly basis that is broadly distributed within the group regarding new accounting developments deriving from the IFRS, which includes updates on standards (standards that have entered into effect, drafts issued, standards issued, standards approved



by the European Union, new standards and expected drafts, as well as existing standards) and accounting questions asked internally, together with the conclusions with respect thereto.

The Accounting Practice Division is also responsible for keeping the Accounting Policies Handbook of the group continuously updated and ensuring the appropriate dissemination thereof.

The accounting policies handbook is continuously updated. For this purpose, the Accounting Practice Division analyses whether the new developments or changes in the accounting area have an effect on the group's accounting policies, as well as the date of entry into force of each of the standards. When a new provision, or new interpretations thereof, are identified having an effect on the accounting policies of the group, it is included in the handbook, and also communicated to the parties responsible for preparing the financial information of the group through the quarterly bulletins mentioned above, and the application supporting the handbook is also updated.

The updated version of the handbook is available in an application on the internal network of the group. This application is also accessible by users via remote access and can be connected to e-mail. Any change or upload of a document of the handbook generates an e-mail notice to all users.

- F.4.2. Mechanisms for capturing and preparing financial information in standardised formats for application and use by all units of the entity or group, and support its main financial statements and notes, as well as disclosures concerning ICFR.

The mechanism for capturing and preparing the information supporting the main financial statements of the Iberdrola group is primarily based on the use of a unified management consolidation tool (called BPC), which is accessible from all geographic areas, that is currently deployed throughout the group.

A large part of the information supporting the breakdowns and notes is included in the consolidation tool, with the rest being captured by homogeneously formatted spreadsheets, called reporting packets, that are prepared for the half-yearly and yearly close.

F.5 Supervision of the functioning of the system

Report on at least the following, describing their principal features:

- F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function one of the responsibilities of which is to provide support to the committee in its task of supervising the



internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible for performing the assessment communicates its results, whether the company has an action plan detailing possible corrective measures, and whether their impact on financial reporting has been considered.

The ARSC is supported by the Risk Management and Internal Assurance Area and the Internal Audit Area in the performance of its powers with respect to the internal control and risk management systems.

The ARSC's supervision of the ICFR system mainly includes:

- i. monitoring compliance with the certification process by the various persons responsible for financial information;
- ii. reviewing the design and operation of the internal control system to evaluate the effectiveness thereof, with the support of the Risk Management and Internal Assurance Area and the Internal Audit Area; and
- iii. regular meetings with the external auditor, the Administration and Control Division, the Risk Management and Internal Assurance Area, the Internal Audit Area and senior management to review, analyse and comment on the financial information, the boundary of companies that it covers and the accounting criteria applied, as well as any significant weaknesses in internal control that have been identified.

The Risk Management and Internal Assurance Area performs functions that include, among others, monitoring, supporting, coordinating and homogenising the implementation of the ICFR system, establishing the methodology, criteria and reporting method, as well as the operational monitoring of controls and the regular assessment of the effectiveness of the ICFR system.

The parties responsible for preparing the financial information of each country subholding company, each head of business company and each corporate area must engage in an annual process, coordinated by the Risk Management and Internal Assurance Area, of reviewing the design and operation of the internal control system within their area of responsibility in order to evaluate the effectiveness thereof.

There is thus an analysis of whether, based on the changing circumstances in which the group acts (changes in organisation, systems, processes, products, regulation, etc.), changes in the risks identified and prioritised and/or new risks identified should be included. There is also an analysis of whether the design of the existing controls to mitigate or manage the risks that may have changed is appropriate, as well as whether they have operated satisfactorily in accordance with their design.

The conclusions from this annual review process, with respect to both the deficiencies identified (which are classified as high, medium or low, based precisely on their potential impact on the financial information)



and the action plans to fix them, are presented at an annual specific meeting attended by the group's heads of Control and of the various country subholding companies, the heads of the main corporate areas, the Risk Management and Internal Assurance Area and the Internal Audit Area. Conclusions are made at this meeting regarding the effectiveness of the internal control system within each of the different areas of responsibility, and globally for the entire group.

Thereafter, the most significant conclusions regarding the review are submitted to the ARSC within the framework of the regular meetings it holds with the Risk Management and Internal Assurance director.

Apart from what is described in the preceding paragraphs, the Internal Audit Area, in support of the ARSC, undertakes an independent review of the design and operation of the internal control system, identifying deficiencies and preparing recommendations for improvement. The Internal Audit Area is functionally subordinate to the ARSC, and pursuant to the Basic Internal Audit Regulations has the main duties of assisting this committee in the exercise of its powers and objectively and independently supervising the effectiveness of the group's internal control system, which is made up of a set of risk management and control mechanisms and systems.

Based thereon, the Internal Audit Area engages in ongoing monitoring of the action plans agreed to with the various organisations to correct the deficiencies detected and to implement the suggestions for improvement agreed to with the organisations.

The period that the Internal Audit Area plans for in-depth review of the entire internal control system is five years.

Specifically, 31 cycles were reviewed during financial year 2021. These are cycles corresponding to the companies Iberdrola México, S.A. de C.V., Scottish Power Ltd., Iberdrola España, S.A.U., Neoenergía S.A and Iberdrola Energía Internacional S.A.U., as well as corporate cycles.

In addition, on a half-yearly basis, coinciding with the half-yearly and yearly close, the Internal Audit Area performs a review of the operation of the internal controls that are considered to be most critical, to which there should be added the annual review of all the SOX Key Controls of Avangrid, Inc.

The combination of regular reviews, together with the half-yearly reviews of the most critical controls, allows the Internal Audit Area to perform an evaluation of the internal control system (both design and operation) and issue an opinion regarding the effectiveness of the internal controls established to ensure the reliability of the financial information, which it submits to the ARSC within the framework of their regular meetings.

- F.5.2. Whether there is a discussion procedure whereby the auditor (as defined in the Spanish Technical Audit Standards), the internal auditor and other experts can report to senior management and the audit committee or directors of the company any significant weaknesses in internal control



identified during the review of the annual financial statements or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses detected.

In general terms, the procedure for discussion regarding significant internal control weaknesses that have been identified is based on regular meetings with the various agents.

Thus, the ARSC holds meetings, both at the half-year and yearly close, with the external auditor, the Risk Management and Internal Assurance Area, the Internal Audit Area and the officers responsible for preparing the financial information, in order to discuss any relevant aspect of the preparation process and of the resulting financial information.

Specifically, as established in its Regulations (scope of powers), Iberdrola's ARSC has, among other powers, that of obtaining information regarding any significant deficiency in internal control that the statutory auditor detects while carrying out its audit work. For these purposes, the statutory auditor appears before such Committee on an annual basis to present recommendations in connection with the internal control weaknesses identified during the review of the annual financial statements. Any weaknesses noted by the statutory auditor are continuously monitored by the Committee with the support of the Internal Audit Area. Management responsible for preparing the consolidated financial statements also holds meetings with the external auditors and with the internal auditors, at both the half-yearly and yearly close, in order to discuss any significant issues relating to the financial information.

F.6 Other relevant information

Iberdrola has an Internal Control over Financial Reporting (ICFR) system or model that is intended to reasonably guarantee the reliability of the financial information. The development of the model, which began in 2006, was not the result of a legal requirement but rather the conviction, by both the Board of Directors and the Company's senior management, that within a context of growth and internationalisation as was already forecast for the group, an explicit and auditable internal control system would contribute to maintaining and improving its control environment and the quality of the financial information, while at the same time increasing the confidence of investors due to its effects on the transparency, reputation and good governance of Iberdrola and of the companies making up the group.

The ICFR system has two main sides: certification, and internal control itself.

Certification is a half-yearly process managed and coordinated by the Risk Management and Internal Assurance Area in which those responsible for financial information in the different areas of the Company certify that: (i) the financial



information they deliver to Iberdrola for purposes of consolidation does not contain any material errors or omissions and provides a fair view of the results and the financial condition of the Company within their area of responsibility, and (ii) they are responsible for establishing the ICFR system within their area of responsibility and have found, upon assessment, that the system is effective. The text of these certifications is inspired by the form of certification established in Section 302 of the U.S. Sarbanes-Oxley Act.

The culmination of the half-yearly process is a joint certification that the chairman & CEO and the General Finance, Control and Resources Director (CFO) submit to the Board of Directors for purposes of approval of the Half-Yearly Financial Report or the formulation of the annual financial statements.

The process is carried out by means of electronic signature in a software application which manages the areas of responsibility and time periods and which serves as a repository of all the documentation generated, allowing for periodic review by the supervision and control bodies of the group.

The other side of the model, that of internal control itself, is inspired by the leading framework described in the “Internal Control Integrated Framework” report of the “Committee of Sponsoring Organizations of the Treadway Commission (COSO)”, and is mainly focused on providing a reasonable level of security in achieving the goal of reliability of financial information.

The methodology used by Iberdrola for the development and continuous update of internal control, the development, maintenance and update of which is the responsibility of the Risk Management and Internal Assurance Area, has the following stages or steps: (i) analysis and selection of significant financial information; (ii) the grouping thereof within cycles or large processes in which it is generated; (iii) the identification, evaluation and prioritisation of the risks of error in financial information within the selected cycles; (iv) the design and operation of controls to mitigate or manage the selected risks; and (v) the monitoring and update of the foregoing steps to continuously adapt the model to the circumstances of the business activity.

One of the main characteristics of the design of the model is that it attempts to ensure the quality of the financial information during each month of the year, and is not only limited to the periods corresponding to the annual or half-yearly close. This characteristic is strengthened with the use of a specific software application internally developed by the group, which allows for the monitoring of the status of the controls at all times.

Another important characteristic of the model is that it extends the culture of internal control to all the organisations, both corporate and business, that significantly contribute to the generation of financial information, by personally assigning responsibility in the implementation and documentation of controls.



All significant documentation regarding Iberdrola's ICFR system, including both the certification process and the internal control itself, is stored in this software application.

The people responsible for implementing the controls input into the software application evidence showing the performance thereof, and evaluate the results obtained, classifying them as satisfactory or unsatisfactory. This allows for monitoring of the internal control situation in real time, permitting quick action regarding any deficiencies detected.

Additionally, on an annual basis, the various heads of control at the country subholding and head of business companies, as well as the heads of the corporate areas, review the design and operation of the ICFR system, as a systematic process for the update thereof to the changing circumstances of the business activity.

The annual review is coordinated by the Risk Management and Internal Assurance Area, which is also tasked with administering the software application and with coordinating the development of the ICFR system within the various businesses and corporate areas of the group, as well as maintaining the homogeneity of the ICFR system throughout the group. Based on this review, the Risk Management and Internal Assurance Area issues its opinion on the effectiveness of the ICFR system, which is communicated during the annual meeting of the Internal Assurance Committee and to the ARSC.

Furthermore, the Internal Audit Area, which is responsible for the independent supervision of internal control in support of the ARSC, undertakes an independent review of the design and operation of the ICFR system, identifying deficiencies and preparing recommendations for improvement. This review is performed applying a mixed model of selecting cycles based on risk and a minimum rotation of five years.

In addition, on a half-yearly basis, the Internal Audit Area undertakes an independent review of the effectiveness of the internal controls established to ensure the reliability of the financial information. It also reviews the process of certification of the financial information on a half-yearly basis. The conclusions from these reviews are submitted to the ARSC, which, if applicable, makes them its own and forwards them to the Board of Directors.

Based on materiality standards, the current scope of the ICFR system covers the entire Iberdrola group. More than 1,600 people from the group use the software application, both to document the evidence showing the implementation of more than 3,000 controls —which mitigate or manage more than 1,300 risks of error in the financial information deemed priority— and to monitor, analyse, adjust and evaluate the ICFR system.

In addition, the 120 department heads who participate in the process of certifying the correctness of the information for which they are responsible do so using an electronic signature directly within the software application.



All of the above allows for the final result of the certification process, which is supported by the situation of internal control itself, to be reviewed by Iberdrola's Board of Directors as one of the major guarantees of reliability in connection with the formulation of the annual and interim financial information of the group.

F.7 External auditor's report

Report:

- F.7.1. Whether the ICFR information sent to the markets has been subjected to review by the external auditor, in which case the entity should include the corresponding report as an attachment. If not, reasons why should be given.

The information on the ICFR system sent to the markets has not been subject to review by the external auditor consistent with the fact that the other information contained in the Annual Corporate Governance Report is only subject to review by the external auditor in relation to the accounting information contained in said Report. Furthermore, it is believed that externally reviewing the information on the ICFR system sent to the markets would in a certain way be redundant, taking into account the review of internal control that the external auditor must perform in accordance with technical auditing standards within the context of the statutory audit of accounts.



G DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

- 1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.**

Complies Explain

Article 29.2 of the By-Laws provides that "No shareholder may cast a number of votes greater than those corresponding to shares representing ten (10%) per cent of share capital, even if the number of shares held exceeds such percentage of the share capital. This limitation does not affect votes corresponding to shares with respect to which a shareholder is holding a proxy as a result of the provisions of Article 23 above, provided, however, that with respect to the number of votes corresponding to the shares of each shareholder represented by proxy, the limitation set forth above shall apply".

Section 3 of such article adds: "The limitation set forth in the preceding section shall also apply to the maximum number of votes that may be collectively or individually cast by two or more shareholders that are entities or companies belonging to the same group. Such limitation shall also apply to the number of votes that may be cast collectively or individually by an individual and the shareholder entity, entities, or companies controlled by such individual. A group shall be deemed to exist under the circumstances provided by law, and also when a person controls one or more entities or companies".

Iberdrola believes that the limitation on the maximum number of votes that may be cast by a single shareholder, or by several shareholders belonging to the same group or, if applicable, acting in concert, is a measure to protect shareholders at companies with dispersed share ownership, whose investment is thus guarded from any transaction that is contrary to the corporate interest. In this regard, most shareholders, especially including but not limited to small retail investors, who represent approximately one-fourth of Iberdrola's capital, have little room to manoeuvre and respond to a potential shareholder owning a non-controlling interest and not reaching the threshold requiring a takeover bid but seeking influence over the Company and whose own interest is not totally in line with the corporate interest.

It should also be noted that such voting limitation has been in effect since 16 June 1990, the date on which the General Shareholders' Meeting was held at which it was resolved, by unanimous vote of the attendees, to bring the By-Laws of the Company (then doing business as Iberduero, S.A.) into line with the consolidated text of the Companies Act approved by Royal Legislative Decree 1564/1989 of 22 December. This shows the level of corporate consensus that has existed on such voting limitation from



the very beginning, which has been confirmed by the fact that such limitation has remained unchanged through various by-law amendments passed by the shareholders at General Shareholders' Meetings. In turn, it reflects the will of the shareholders to increase their bargaining power in the event of hostile offers or transactions.

In any event, Article 50 of the current By-Laws establishes the instances of removal of such voting limitation in the event that the Company is the target of a takeover bid that receives the required shareholder approval, in which case the provisions of Section 527 of the Companies Act prevail. Pursuant to the foregoing, it cannot be deemed that the limitation on the maximum number of votes that may be cast by a shareholder constitutes an obstacle to a takeover bid.

2. **That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:**

- a) **The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.**
- b) **The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies Complies partially Explain Not applicable X

3. **That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:**

- a) **Changes that have occurred since the last General Shareholders' Meeting.**
- b) **Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.**

Complies X Complies partially Explain

4. **That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.**

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps



to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies X Complies partially Explain

- 5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.**

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies X Complies partially Explain

- 6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:**

- a) Report on the auditor's independence.**
- b) Reports on the workings of the audit and nomination and remuneration committees.**
- c) Report by the audit committee on related party transactions.**

Complies X Complies partially Explain

- 7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.**

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies X Complies partially Explain

- 8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.**

Complies X Complies partially Explain

- 9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.**



And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies Complies partially Explain

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

a) Should immediately distribute such complementary points and new proposals for resolutions.

b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.

c) Should submit all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies Complies partially Explain Not applicable

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies Complies partially Explain Not applicable

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies Complies partially Explain

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies Explain



14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

- a) Is concrete and verifiable;
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
- c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies Complies partially Explain

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors..

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies Complies partially Explain

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

- a) In large-cap companies where very few shareholdings are legally considered significant.
- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies Explain

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies Explain

18. That companies should publish the following information on its directors on their website, and keep it up to date:

- a) Professional profile and biography.
- b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.
- e) Company shares and share options that they own.

Complies Complies partially Explain

19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.

Complies Complies partially Explain Not applicable

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

Complies Complies partially Explain Not applicable

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies Explain

- 22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.**

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies Complies partially Explain

- 23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.**

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.

Complies Complies partially Explain Not applicable

- 24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.**

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies Complies partially Explain Not applicable

- 25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.**



And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies Complies partially Explain

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies Complies partially Explain

27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.

Complies Complies partially Explain

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.

Complies Complies partially Explain Not applicable

29. That the company should establish adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies Complies partially Explain

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies Explain Not applicable

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies Complies partially Explain

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies Complies partially Explain

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles



of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies Complies partially Explain

34. That when there is a coordinating director, the articles of association or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies Complies partially Explain Not applicable

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies Explain

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity in the composition and skills of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.



The process and the areas evaluated must be described in the annual corporate governance report.

Complies Complies partially Explain

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies Complies partially Explain Not applicable

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies Complies partially Explain Not applicable

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies Complies partially Explain

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies Complies partially Explain

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies Complies partially Explain Not applicable

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational, technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its



orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

- c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.
- d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.
- b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.
- e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies X Complies partially Explain

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies X Complies partially Explain

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies X Complies partially Explain Not applicable



45. That the risk management and control policy identify or determine, as a minimum:

- a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.
- b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.
- c) The level of risk that the company considers to be acceptable.
- d) Measures in place to mitigate the impact of the risks identified in the event that they should materialised.
- e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies X Complies partially Explain

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.
- b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.
- c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies X Complies partially Explain

47. That in designating the members of the nomination and remuneration committee – or of the nomination committee and the remuneration committee if they are separate – care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies X Complies partially Explain

48. That large-cap companies have separate nomination and remuneration committees.

Complies X Explain Not applicable

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.



And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies Complies partially Explain

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) **Proposing the basic conditions of employment for senior management to the Board of Directors.**
- b) **Verifying compliance with the company's remuneration policy.**
- c) **Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.**
- d) **Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.**
- e) **Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.**

Complies Complies partially Explain

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies Complies partially Explain

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:

- a) **That they be composed exclusively of non-executive directors, with a majority of independent directors.**
- b) **That their chairpersons be independent directors.**
- c) **That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.**
- d) **That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.**
- e) **That their meetings be recorded and their minutes be made available to all directors.**



Complies X Complies partially Explain

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies X Complies partially Explain

54. The minimum functions referred to in the foregoing recommendation are the following:

- a) **Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.**
- b) **Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.**
- c) **The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.**
- d) **Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.**
- e) **Supervision and evaluation of the way in which relations with the various stakeholders are handled.**

Complies X Complies partially Explain

55. That environmental and social sustainability policies identify and include at least the following:

- a) **The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct**
- b) **Means or systems for monitoring compliance with these policies, their associated risks, and management.**
- c) **Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.**



- d) Channels of communication, participation and dialogue with stakeholders.
- e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies Complies partially Explain

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies Explain

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies Complies partially Explain

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.
- b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies Complies partially Explain Not applicable

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director



remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies X Complies partially Explain Not applicable

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies X Complies partially Explain Not applicable

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies X Complies partially Explain Not applicable

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies X Complies partially Explain Not applicable

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies X Complies partially Explain Not applicable

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay



which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies Complies partially Explain X Not applicable

Contracts with executive directors and senior officers signed as from 2011 provide severance pay for contractual termination equal to a maximum of two times annual salary in the event of termination of their relationship with the Company, provided that termination of the relationship is not the result of a breach attributable thereto or solely due to a voluntary decision thereof. This was the case of the former Business CEO.

The Company included guarantee clauses of up to five years in contracts with its key officers in the year 2000. Subsequently, in 2001, when the current chairman & CEO joined Iberdrola, he received the treatment in effect for such officers, in order to achieve an effective and sufficient level of loyalty. As chairman & CEO, he is currently entitled to three times his annual salary for this item, plus another two times annual salary for his non-compete commitment.

The Board of Directors has analysed this situation, the treatment of which is necessarily collective in nature. Any reduction in the salary multiples would carry high costs for the Company, for which reason the Board of Directors believes that it is most appropriate not to change the status quo. Any proposed reduction in the salary multiples would have a higher cost for the Company, as the amount of the contingency will gradually decrease due to the passage of time, resulting in payments far smaller than any possible reduction in the agreed severance payment, taking into account the average age of the affected group and the low likelihood of the guarantees being enforced. In this regard, it should be pointed out that the number of officers with a right to severance pay greater than two years continues to decrease in recent years without the execution of any guarantee clause. There were only 13 left at the close of financial year 2021.



H FURTHER INFORMATION OF INTEREST

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010.

On 20 July 2010 the Company adhered to the Code of Good Tax Practices approved by the full Forum of Large Businesses (*Foro de Grandes Empresas*) established on 10 June 2009 at the behest of the National Tax Administration Agency (*Agencia Estatal de la Administración Tributaria*).

Pursuant to the provisions of Sections 1 and 2 of the Code of Good Tax Practices and Sections 3 and 4 of the Corporate Tax Policy, the Company reports that it has complied with the text of said Code as from the time of approval thereof.

In particular, it is reported that during financial year 2021, the Company's tax director appeared before Iberdrola's Audit and Risk Supervision Committee on 22 January and 19 July to report on, among other issues, the level of compliance with the Corporate Tax Policy, which includes the good tax practices contained in said Code, all of which has been reported to the Board of Directors.

The annex contains a description of the attendance of each and every one of the directors at the meetings of the Board of Directors and its committees during financial year 2021. Proxies granted with specific voting instructions are considered to be attendances.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 22/02/2022.



Indicate whether any director voted against or abstained from approving this report.

Yes

No



Annex to ACGR 2021:

SECTION C.1.26

Below is the data on attendance of each and every one of the directors at the meetings of the Board of Directors and its committees during financial year 2021. Proxies granted with specific voting instructions are considered to be attendances.

Directors	Board	Committees				
		EC	ARSC	AC	RC	SDC
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	8/8	15/15				
MR JUAN MANUEL GONZÁLEZ SERNA	8/8	15/15			12/12	
MR IÑIGO VÍCTOR DE ORIOL IBARRA	8/8				12/12	
MS SAMANTHA BARBER	7/7	13/13				9/9
MS MARÍA HELENA ANTOLÍN RAYBAUD	8/8			10/10		
MR JOSÉ WALFREDO FERNÁNDEZ	6/6		9/9			
MR MANUEL MOREU MUNAIZ	8/8	15/15			12/12	
MR XABIER SAGREDO ORMAZA	8/8		12/12			
MR FRANCISCO MARTÍNEZ CÓRCOLES	8/8					
MR ANTHONY L. GARDNER	8/8	2/2		10/10		
MS SARA DE LA RICA GOIRICELAYA	8/8					10/10
MS NICOLA MARY BREWER	8/8					10/10
MS REGINA HELENA JORGE NUNES	8/8		12/12			
MR ÁNGEL JESÚS ACEBES PANIAGUA	8/8	15/15		10/10		
MS MARÍA ÁNGELES ALCALÁ DÍAZ	1/1		2/2			
MS ISABEL GARCÍA TEJERINA						



Notes:

Ms Isabel García Tejerina was appointed as a director on an interim basis (co-option procedure) on 16 December 2021. No meetings of the Board of Directors or the consultative committees have been held since the appointment thereof.

The denominator indicates the number of meetings held during the period of the year in which the director served as such or as a member of the respective committee.

EC: Executive Committee.

ARSC: Audit and Risk Supervision Committee.

AC: Appointments Committee.

RC: Remuneration Committee.

SDC: Sustainable Development Committee.

SECTION C.1.32

Non-audit services provided during financial year 2021 mainly had the following scope:

- To the Company: limited review of the half-yearly financial statements in the amount of €1,186,075; preparation of a procedures report on the liquidity situation for the offshore wind farm in Wikinger in the amount of €8,397; comfort letters: in connection with the issue of a hybrid bond during the month of January 2021 in the amount of €80,000; for the issue of a hybrid bond during the month of November 2021 in the amount of €70,000; and for the update of an issue in the amount of €70,000; and review under the ISAE 3000 standard on non-financial engagements in the amount of €99,462.
- Performance for i-DE Redes Eléctricas Inteligentes, S.A.U. of: regulatory audit of operating facilities, in the amount of €173,447; regulatory audit of commissioned facilities, in the amount of €121,150; and regulatory audit relating to the forms required by the CNMC, in the amount of €115,423.
- Provision to Conquense Distribución Eléctrica, S.A.U. and Anselmo León Distribución, S.A.U. of the following services: regulatory audits on the inventory of operating facilities; regulatory audits on commissioned facilities; and regulatory audits on the forms required by CNMC *Circular 4/2015*, in the total amount of €27,000 for each of the two companies.
- Preparation of a report on agreed-upon procedures regarding corporate services invoiced to the subsidiaries of Iberdrola Renovables Energía, S.A.U., in the amount of €8,000.
- Preparation of several comfort letters: for the update of a bond issue programme for Iberdrola Finanzas, S.A.U. in the amount of €20,000; within the framework of the issue of a hybrid bond for Iberdrola International, B.V. in the amount of €35,000; and for the update of an issue for Iberdrola Finanzas in the amount of €20,000.
- Verification of tax information for C. Rokas Industrial Commercial Company, S.A., in the amount of €94,590.
- Preparation for Iberdrola Clienti Italia, S.R.L. of: audit report on the financial statements for financial year 2020, prepared in accordance with the standard established by the Italian regulator, in the amount of €44,265; and audit of the general system charges, in accordance with the standard of the Italian regulator, in the amount of €65,000.



- Capital reduction and increase reports required by French law for Iberdrola Renovables France, S.A.S. and its subsidiary Ailes Marines, S.A.S., in the amount of €9,500.
- Preparation of a report on agreed-upon procedures regarding the certification of non-payment of tolls for the company Iberdrola Energie France, S.A.S. in the amount of €16,180.
- Report on the compliance plan submitted to the Australian securities regulator for Infigen Energy, Trust in the amount of A\$8,522.
- Report for Infigen Energy Markets PTY, Ltd. and Infigen Energy RE, Ltd. for the Australian financial services regulator on financial statements and internal control in the amount of A\$8,522.
- Reports relating to compliance with regulatory requirements for the companies Lake Bonney Wind Power PTY, Ltd, Lake Bonney BESS PTY, Ltd. and Bodangora Wind Farm PTY, Ltd. in the amount of A\$15,644.
- Report on procedures regarding corporate services invoiced to the subsidiaries of Iberdrola Renovables Internacional, S.A.U., in the amount of €13,195.
- Verification of certain tax information for the financial year 2020 for the company Iberdrola México, S.A. de C.V. and its subsidiaries in the amount of Mex\$3,400,000.
- Regulatory audit of SP Manweb, Plc., SP Transmission, Plc. and SP Distribution, Plc. in the amount of £16,604.
- Regulatory audit reports on Client Assets Sourcebook for the regulator, for Scottish Power Energy Management (Agency), Ltd., in the amount of £12,000.
- Audit of the consolidated segmented regulatory statements of Scottish Power UK, Plc. in the amount of £24,250.
- Preparation of an attestation in connection with the issuance of a green bond completed in April 2021 for Avangrid, Inc. (“**Avangrid**”) in the amount of US\$65,000.
- Annual subscription to the auditor’s databases for Avangrid, a service provided free of charge.
- Software implementation services and data processing technologies to Avangrid in the amount of US\$300,000.
- Regulatory audit of Avangrid to comply with the standards of the US regulator in the amount of US\$250,000.
- Comfort letter and consent letter prepared for Avangrid: within the framework of a debt issue in the amount of US\$144,000; within the framework of the debt issue by New York State Electric & Gas Corporation, including, if applicable, a limited review of interim financial statements, in the amount of US\$185,000; and in connection with the related registration statement and offering form within the framework of a bond issue in the amount of US\$350,000.
- Verification of internal controls for the process of migration from the Identity Management System to the Identity IQ system at UIL Holding Corporation, in the amount of US\$19,300.
- Provision of the following services to Neoenergia and its subsidiaries: preparation of an annual regulatory report for financial year 2021 in the amount of R\$168,011; preparation of an equity control report for financial year 2021 in the amount of R\$100,595; preparation of a dividend cash flow report for financial year 2021 in the amount of R\$22,590; reports relating to various financial ratios to support financial agreements in the amount of R\$66,357; verification report on the Sustainability Report for the period 2020-2022 in the amount of R\$61,319; equity control audit for financial year 2020 in the amount of R\$87,153; cash flow procedures in connection with dividend distribution in the amount of R\$16,033; regulatory audit for financial year 2020 in the amount of €162,796; reports on financial ratios in the amount of R\$46,948; and quarterly reviews for 2020 and 2021 in the amount of R\$660,879.
- Issuance of special report for Iberdrola RE, S.A. in compliance with the instructions of the Luxembourg securities market regulator, in the amount of €1,700.



Apart from what has already been described in the previous sections on its independence, the following should be noted with respect to the further development of the functions of the committee:

- In order to approve the provision of non-audit services by KPMG, an assessment is made as to whether the audit firm is best suited to provide such services. Prior to each of the meetings of the committee discussing the engagement of KPMG for the provision of non-audit services, the following was made available to the committee: a letter from KPMG addressed to the chair of the committee in order to request approval for the provision of the service in question and for the auditor to confirm that the provision of this service would not disqualify it or threaten its independence; and a presentation by the Internal Audit Area describing the main characteristics and terms and conditions of the service, and confirming whether the provision thereof by the auditor has been pre-approved by the audit and compliance committee of the company receiving the service or, if applicable, of the parent country subholding company.

Finally, at its meeting of 19 December 2016, the committee agreed to pre-authorise the statutory auditor to carry out the following actions, as it considered them to be unquestionably related to the audit of accounts: (i) the preparation of comfort letter and, where appropriate, consent letters for securities issues; (ii) the issue of reports on compliance with ratios linked to financing agreements; and (iii) the performance of limited reviews of interim financial statements. Therefore, the engagement of KPMG for the provision of such services was deemed to have been approved by the committee, so that the committee should henceforth only be informed of the commencement of the provision of such services at its next meeting (to take note of this and to verify that the limits on the fees that the statutory auditor may charge for the provision of additional services are not exceeded).



ANNUAL REPORT ON REMUNERATION– 2021

The disclosures contained in this section of the Management Report are the same as the disclosures in the Annual Report on Remuneration sent separately to the Spanish National Securities Market Commission for publication at www.cnmv.es.



ANNUAL REPORT ON DIRECTOR REMUNERATION OF LISTED COMPANIES

ISSUER IDENTIFICATION DETAILS

YEAR END-DATE

31/12/2021

TAX IDENTIFICATION
CODE (C.I.F.) A-48010615

Company name: IBERDROLA, S.A.

Registered office: Plaza Euskadi número 5, Bilbao 48009 Biscay, Spain

NOTE: The English text of the headings of this Annual Director Remuneration Report have been extracted directly from the English-language template provided by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

ANNUAL REPORT ON DIRECTOR REMUNERATION OF LISTED COMPANIES

A REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT FINANCIAL YEAR

A.1.1 Explain the current director remuneration policy applicable to the year in progress. To the extent that it is relevant, certain information may be included in relation to the remuneration policy approved by the General Shareholders' Meeting, provided that these references are clear, specific and concrete.

Such specific determinations for the current year as the board may have made in accordance with the contracts signed with the executive directors and with the remuneration policy approved by the General Shareholders' Meeting must be described, as regards directors' remuneration both in their capacity as such and for executive functions carried out.

In any case, the following aspects must be reported, as a minimum:

- a) Description of the procedures and company bodies involved in determining, approving and applying the remuneration policy and its terms and conditions.
- b) Indicate and, where applicable, explain whether comparable companies have been taken into account in order to establish the company's remuneration policy.
- c) Information on whether any external advisors took part in this process and, if so, their identity.
- d) Procedures set forth in the current remuneration policy for directors in order to apply temporary exceptions to the policy, conditions under which those exceptions can be used and components that may be subject to exceptions according to the policy.

Pursuant to Article 48.1 of the By-Laws, the overall limit to the amounts allocated by Iberdrola, S.A. ("Iberdrola" or the "Company") to the directors each year as remuneration, including, in the case of executive directors, remuneration payable for performing executive duties, as well as the funding of a reserve to meet the liabilities assumed by the Company in connection with pensions, payment of life and casualty insurance premiums, payment of severance to former and current directors, and the operating expenses of the Board of Directors and of its committees, is a maximum of 2% of the consolidated group's profit for the financial year, after allocations to cover the legal and other mandatory reserves and after declaring a dividend to the shareholders of not less than 4% of the share capital. In 2021, said amount came to €17,000 thousand (in financial year 2020, it also came to €17,000 thousand).

For the purpose of establishing such limit, the quoted price of shares or options thereon or remuneration indexed to the listing price of the shares shall not be calculated, which remuneration shall in all cases require the approval of the shareholders at a General Shareholders' Meeting.



The Director Remuneration Policy must be submitted by the Board of Directors, after a proposal from the Remuneration Committee, for the approval of the shareholders at the General Shareholders' Meeting. The current Policy was approved by the shareholders at the General Shareholders' Meeting held on 18 June 2021. The good corporate governance practices of international issuers and investors have been taken into account in the preparation thereof.

Although the amendments made by Section 529 *novodecies* of the Spanish Companies Act (*Ley de Sociedades de Capital*) regarding the director remuneration policy came into force after the shareholders' approval of the current Policy, the text of the Policy, the general lines of which are similar to the one previously in force and approved by the shareholders at the General Shareholders' Meeting held on 13 April 2018, conforms to the requirements of said section.

The Policy considers talent, efforts, creativity and leadership to be the main differentiating elements in the energy industry, and thus seeks to retain, attract and reward the most competent professionals. All of the foregoing is in order to maximise the social dividend and shareholder return and to contribute to the achievement of the Company's strategic objectives.

As regards external directors, the Director Remuneration Policy seeks to remunerate the directors appropriately in recognition of their dedication and the responsibility they assume, while also being in line with the market remuneration paid at companies of a similar nature.

As far as executive directors are concerned, the Director Remuneration Policy follows the same standards as those of the Senior Management Remuneration Policy and shares the same principles and guidelines as those of the remuneration policy for all of the Company's professionals. The main principles governing the remuneration of the executive directors are: (i) ensure that the overall structure and amount of their remuneration complies with best practices and is competitive compared to the remuneration paid by comparable entities at the domestic and international levels; (ii) establish remuneration with objective standards in relation to individual performance and the achievement of the business objectives; (iii) include a significant annual variable component linked to performance and to the achievement of specific, pre-determined, quantifiable objectives aligned with the company interest and its strategic objectives, taking into account economic/financial, operational/industrial and other parameters relating to the Sustainable Development Goals; (iv) strengthen and incentivise the achievement of the Company's strategic objectives through the use of long-term incentives; and (v) establish suitable limits on variable remuneration and mechanisms for the Company to be able to obtain the reimbursement of the variable components if the payment thereof does not conform to the conditions for payment.

The Remuneration Committee has been advised by Sagardoy Abogados on certain aspects of the current Director Remuneration Policy.

No temporary exceptions to the current Director Remuneration Policy are expected during the current financial year.

- A.1.2 Relative importance of variable remuneration items vis-à-vis fixed remuneration (remuneration mix) and the criteria and objectives taken into consideration in their determination and to ensure an appropriate balance between the fixed and variable components of remuneration. In particular, indicate the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and to align it with the long-term objectives, values and interests of the



company, which will include, as the case may be, mention of the measures taken to ensure that the long-term results of the company are taken into account in the remuneration policy, the measures adopted in relation to those categories of personnel whose professional activities have a material impact on the risk profile of the company and measures in place to avoid conflicts of interest.

Furthermore, indicate whether the company has established any period for the accrual or vesting of certain variable remuneration items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or delivery of accrued and vested financial instruments, or whether any clause has been agreed reducing the deferred remuneration not yet vested or obliging the director to return remuneration received, when such remuneration has been based on figures that have since been clearly shown to be inaccurate.

The final structure of the “remuneration mix” of executive directors is strongly affected by variable components, and particularly by the evaluation of the performance of said directors by the Board of Directors, upon a proposal of the Remuneration Committee, as well as the evaluation of the change in value of any shares to be delivered in payment of the multi-annual variable remuneration. Particularly noteworthy is the progressive increase in the specific weight of this component due to the significant increase in the share price, as explained in section B.7 of this report.

Annual and multi-annual variable remuneration is linked to the performance of the executive directors with respect to economic/financial, operational/industrial and other parameters relating to the Sustainable Development Goals. Performance is evaluated by the Board of Directors, upon a proposal of the Remuneration Committee. This Committee is in turn customarily advised by an independent firm that evaluates such performance.

Multi-annual variable remuneration is linked to the Company’s performance and long-term interests and is implemented through share delivery plans linked to the achievement of long-term objectives, which typically have a term of six years (three for the evaluation of performance and three for payment thereof). The 2020-2022 Strategic Bonus is currently in force and will be paid in years 2023 to 2025 by means of a deferred delivery of shares. The second delivery of shares corresponding to the 2017-2019 Strategic Bonus approved at the General Shareholders’ Meeting held on 31 March 2017 took place during the first quarter of 2021. The third delivery will take place in the first quarter of 2022. Section D of the Annual Director Remuneration Report for financial year 2020 reports on the Company’s performance regarding the objectives for the 2017-2019 Strategic Bonus.

In any event, and as a mere approximation, the estimated remuneration mix based on the share price as at the date of approval of the corresponding strategic bonuses, assuming that around 85% of the corresponding parameters are ultimately met, would be approximately: (a) 30% fixed remuneration, 30% annual variable remuneration and 40% multi-annual variable remuneration for the chairman & CEO; and (b) 40% fixed remuneration, 30% annual variable remuneration and 30% multi-annual variable remuneration for the Business CEO (who ceased to be an executive officer effective 1



November 2021). Both estimates have been made taking into account a potential swing of +/-5 percentage points.

Prior to accrual and payment, all deferred variable remuneration requires a report from the Remuneration Committee confirming that the rationale supporting such deferred variable remuneration still applies. If there is a circumstance that subsequently requires a correction of the parameters taken into consideration during the initial evaluation, the Board of Directors will decide whether to cancel payment of the deferred variable remuneration in whole or in part (malus clause), and even to demand the total or partial return of amounts already paid (claw-back).

A.1.3 Amount and nature of fixed components that are due to be accrued during the year by directors in their capacity as such.

For financial year 2022, the Board of Directors, upon a proposal of the Remuneration Committee, has unanimously resolved to maintain the fixed remuneration and the amounts set as attendance fees. These amounts have been frozen since 2008.

Fixed remuneration of the directors for belonging to the Board of Directors and to the committees thereof based on the position held in each case was as follows:

- Chairman of the Board of Directors: €567 thousand.
- Vice-chair of the Board of Directors and chairs of the consultative committees: €440 thousand.
- Members of the committees: €253 thousand.
- Members of the Board of Directors: €165 thousand.

Attendance fees received by the directors for attending the meetings of the Board of Directors and of the committees thereof, based on the position held in each case, were as follows:

- Chairman and vice-chair of the Board of Directors and chairs of the committees: €4 thousand.
- Members of the Board of Directors and of the committees: €2 thousand.

A.1.4 Amount and nature of fixed components that are due to be accrued during the year for the performance of senior management functions of executive directors.

The Board of Directors has resolved to maintain the fixed remuneration for the performance of executive duties of the chairman & CEO for financial year 2022 at €2,250 thousand.

A.1.5 Amount and nature of any component of remuneration in kind that will accrue during the year, including, but not limited to, insurance premiums paid in favour of the director.

The Company pays the premiums under insurance policies that it has taken with certain insurance companies for the coverage of the death or disability of directors caused by accidents, and the Company itself assumes coverage of benefits for the death or disability of directors due to natural causes. Other remuneration in kind is not



significant and basically covers the electricity rate and health and casualty insurance. The estimated cost of all remuneration in kind will be similar to the cost reflected in section B.14 of this Report.

- A.1.6 Amount and nature of variable components, differentiating between those established in the short and long terms. Financial and non-financial, including social, environmental and climate change parameters selected to determine variable remuneration for the current year, explaining the extent to which these parameters are related to performance, both of the director and of the company, and to its risk profile, and the methodology, necessary period and techniques envisaged to be able to determine the effective degree of compliance, at the end of the year, with the parameters used in the design of the variable remuneration, explaining the criteria and factors applied in regard to the time required and methods of verifying that the performance or any other conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.

Indicate the range, in monetary terms, of the different variable components according to the degree of fulfilment of the objectives and parameters established, and whether any maximum monetary amounts exist in absolute terms.

The only directors that receive variable remuneration are the executive directors. For 2022, the Board of Directors has resolved to maintain the maximum limit on the annual variable remuneration of the chairman & CEO at the same level as in 2021 (€3,250 thousand).

Set forth below are the parameters to which the annual variable remuneration of the chairman & CEO is linked. Said parameters are in line with the Outlook 2020-2025 presented at the Capital Markets Day held on 5 November 2020:

- Economic/financial objectives; 50% specific weight:
 - exceed net profit for the preceding financial year.
 - increase shareholder remuneration similar to growth in net profit.
 - maintain financial strength in the FFO/Net Debt ratio at year-end 2021.

- Sustainable development goals; 50% specific weight:
 - continuous increase of female presence in positions of responsibility.
 - presence on international indices.
 - exceed ratio of training hours received per employee over that of comparable companies.

The Remuneration Committee may also consider other parameters for the evaluation of the chairman & CEO.

The Board of Directors shall evaluate performance in relation to the aforementioned parameters based on a proposal to be made thereto by the Remuneration Committee, which may be advised by an independent expert which will take into account the individual performance of the chairman & CEO. In any event, payment of said annual variable remuneration is made once the annual accounts have been prepared by the



Board of Directors and subsequently audited. Within its margin of discretion, the evaluation by the Board of Directors shall also consider the overall economic/financial and operational performance of the Company.

In addition, at the General Shareholders' Meeting held on 2 April 2020 the shareholders approved the 2020-2022 Strategic Bonus as a long-term incentive linked to the Company's performance in relation to certain parameters, to be paid through the delivery of shares, in accordance with the following guidelines:

- Beneficiaries: a maximum of 300, including executive directors.
- Parameters: (i) substantial increase in net profit; (ii) comparative increase in total shareholder return; (iii) improvement in financial strength; and (iv) parameters related to the Sustainable Development Goals (average intensity of CO₂ emissions, suppliers subject to sustainable development policies and standards, and salary gap between women and men).
- Maximum number of shares to be delivered: 14,000,000, equal to 0.22% of the share capital at the time of approval of the resolution.
- Maximum number of shares to be delivered to all of the executive directors: 2,500,000 shares (a maximum of 1,900,000 shares in the case of the chairman & CEO and 300,000 shares in the case of the then-Business CEO).
- Duration: evaluation period 2020-2022 and payment period 2023-2025, in three equal instalments each year.
- Annual verification by the Remuneration Committee, prior to each of the payments, that the circumstances leading to the accrual thereof remain in effect. The first payment will be made after the annual accounts have been prepared by the Board of Directors, audited, and approved by the shareholders at the General Shareholders' Meeting. In any event, the Remuneration Committee shall have the assistance of an independent expert in the evaluation of performance in relation to the aforementioned benchmark parameters.
- Possible cancellation of pending payments and reimbursement of the shares delivered (*malus* clause and claw-back).

The second delivery of shares corresponding to the payment of the 2017-2019 Strategic Bonus approved at the General Shareholders' Meeting held on 31 March 2017 took place during financial year 2021 upon the terms described in section D of the Annual Director Remuneration Report for financial year 2020. The third and final delivery will take place during the first quarter of financial year 2022.

- A.1.7 Main characteristics of long-term savings schemes. Among other information, indicate the contingencies covered by the scheme, whether it is a defined contribution or a defined benefit scheme, the annual contribution that has to be made to defined contribution schemes, the benefits to which directors are entitled in the case of defined benefit schemes, the vesting conditions of the economic rights of directors and their compatibility with any other type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, in the terms provided, between the company and the director.



Indicate whether the accrual or vesting of any of the long-term savings plans is linked to the attainment of certain objectives or parameters relating to the director's short- or long-term performance.

The Company has no commitment to any long-term defined-contribution, defined-benefit retirement or savings system for any director.

- A.1.8 Any type of payment or indemnification for early termination or dismissal, or deriving from the termination of the contractual relationship, on the terms provided, between the company and the director, whether at the company's or the director's initiative, as well as any type of agreement reached, such as exclusivity, post-contractual non-competition, minimum contract term or loyalty, that entitles the director to any kind of remuneration.

A director who ends the term of office to which the director was appointed or who, for any other reason, ceases to act as such, may not be a director or officer of, or provide services to, any entity whose object is similar, in whole or in part, to that of the Company or which is a competitor of the Company, for a term of two years. The Board of Directors may, if it deems it appropriate, relieve the outgoing director from this obligation or shorten the period thereof.

In the event of cessation of office prior to the end of the term for which they were appointed, non-executive directors who are not proprietary directors shall be entitled to receive compensation for the commitment not to compete described in the preceding paragraph, unless their cessation is due to a breach of the duties of director attributable thereto or to the provisions of the succession plan included in the General Corporate Governance Policy, or to the sole decision thereof.

For purposes of clarification, cessation of office shall not be considered to be due exclusively to the decision of the director if resignation occurs on occasion of the acceptance of a public office that is incompatible with the holding of the position of director.

The compensation for the commitment not to compete, if applicable, shall be equal to 90% of the fixed amount that the director would have received for the remainder of the director's term (assuming that the annual fixed amount that the director receives at the time of cessation of office is maintained), with a maximum equal to two times 90% of such annual fixed amount.

- A.1.9 Indicate the conditions that the contracts of executive directors performing senior management functions should contain. Among other things, information must be provided on the duration, limits on amounts of indemnification, minimum contract term clauses, notice periods and payment in lieu of these notice periods, and any other clauses relating to signing bonuses, as well as compensation or golden parachute clauses for early termination of the contractual relationship between the company and the executive director. Include, among others, the pacts or agreement on non-competition, exclusivity, minimum contract terms and loyalty, and post-contractual non-competition, unless these have been explained in the previous section.



Contracts with new executive directors and with the members of senior management include, as from 2011, maximum severance pay equal to two times annual salary in the event of termination of their relationship with the Company, provided that termination of the relationship is not the result of a breach attributable thereto or solely due to a voluntary decision thereof. This was the system applicable to the Business CEO, who was appointed as a director by the shareholders at the General Shareholders' Meeting held on 31 March 2017, and who ceased to be an executive officer effective 1 November 2021.

In 2000, the Company also included clauses in the contracts with its key officers providing for severance pay of up to five times annual salary in order to achieve an effective and sufficient level of loyalty. Subsequently, in 2001, when the current chairman & CEO joined the Company, he received the treatment in effect for such officers. In the case of the chairman & CEO, he is currently entitled to three times annual salary as severance pay.

The Board of Directors has analysed this situation and has found that, taking into account the average age of the affected group and the low likelihood of the guarantees being enforced, the amount of the contingency would gradually decrease over time, resulting in payments far smaller than any alternative consisting of a reduction in the agreed severance payments.

Furthermore, the contract with the chairman & CEO in any event establishes a duty not to compete with respect to companies and activities that are similar in nature to those of the Company during the term of his relationship with the Company and for a period of two years. In compensation for this commitment, he is entitled to a severance payment equal to two times annual salary.

Other basic conditions of contracts with executive directors are: (i) indefinite duration; (ii) strict compliance with the rules and provisions of the Company's Governance and Sustainability System; (iii) confidentiality and commitment to return documents in the event of termination of the contractual relationship; (iv) general advance notice period of three months before termination.

- A.1.10 The nature and estimated amount of any other supplementary remuneration that will be accrued by directors in the current year in consideration for services rendered other than those inherent in their position.

There is no supplementary remuneration.

- A.1.11 Other items of remuneration such as any deriving from the company's granting the director advances, loans or guarantees or any other remuneration.

None.

- A.1.12 The nature and estimated amount of any other planned supplementary remuneration to be accrued by directors in the current year that is not included in the foregoing sections, whether paid by the company or by another group company.



The Director Remuneration Policy approved by the shareholders at the General Shareholders' Meeting held on 18 June 2021 provides that executive directors and officers of the group who hold the position of director at companies that are not wholly owned either directly or indirectly by Iberdrola may receive remuneration corresponding to the position from said companies in accordance with their corporate governance rules on the same terms as the other directors.

Along these lines, it is estimated that during 2022 the chairman & CEO will receive an amount similar to the amount set forth in section C of this Report for his positions as chairman of the boards of directors of Neoenergia, S.A. and Avangrid, Inc.

A.2 Explain any significant change in the remuneration policy applicable in the current year resulting from:

- a) A new policy or an amendment to a policy already approved by the General Meeting.
- b) Significant changes in the specific determinations established by the board for the current year regarding the remuneration policy in force with respect to those applied in the previous year.
- c) Proposals that the Board of Directors has agreed to submit to the general shareholders' meeting to which this annual report will be submitted and for which it is proposed that they be applicable to the current year.

The Director Remuneration Policy approved by the shareholders at the General Shareholders' Meeting held on 18 June 2021 has been in force since the financial year of its approval and will be in force during financial years 2022, 2023 and 2024. The text thereof has been adjusted to conform to the amendments made by Section 529 *novodecies* of the Spanish Companies Act (*Ley de Sociedades de Capital*), which came into force after the approval of this Policy by the shareholders at the General Shareholders' Meeting.

The changes made, although not significant, include the following: (i) the energy transition is a benchmark for the remuneration of executive directors; (ii) the fixed remuneration of directors as such is specified; (iii) the annual variable remuneration is limited as a maximum percentage of the fixed remuneration of executive directors; and (iv) new benchmark parameters for variable remuneration are included.

A.3 Identify the direct link to the document containing the company's current remuneration policy, which must be available on the company's website.

<https://www.iberdrola.com/corporate-governance/governance-sustainability-system/corporate-governance-policies/director-remuneration-policy>

A.4 Explain, taking into account the data provided in Section B.4, how account has been taken of the voting of shareholders at the General Shareholders' Meeting to which the annual report on remuneration for the previous year was submitted on a consultative basis.



Iberdrola maintains continuous contact with both its individual and institutional shareholders. The Activities Report of the Board of Directors and of the Committees thereof [\(<https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents>\)](https://www.iberdrola.com/corporate-governance/general-shareholders-meeting/documents) contains a section dedicated to the Shareholder Engagement Report that reports on the intense activity carried out in this regard and on the issues dealt with at these meetings. As a result, more detail is provided in section B.3 of this Report on the financial and non-financial parameters to which the annual variable remuneration is linked, as well as the executive directors' level of performance with respect to these parameters during financial year 2021.

For its part, the Annual Director Remuneration Report for 2020 received the support of a broad majority in the consultative vote at the General Shareholders' Meeting held on 18 June 2021. This also happened with the current Director Remuneration Policy submitted to a binding vote at the same Meeting.



B OVERALL SUMMARY OF HOW REMUNERATION POLICY WAS APPLIED DURING THE YEAR LAST ENDED

- B.1.1 Explain the process followed to apply the remuneration policy and determine the individual remuneration contained in Section C of this report. This information will include the role played by the remuneration committee, the decisions taken by the Board of Directors and the identity and role of any external advisors whose services may have been used in the process of applying the remuneration policy in the year last ended.

As provided in Iberdrola's Governance and Sustainability System, the Board of Directors, upon a proposal of the Remuneration Committee, is the body with power to set the remuneration of directors, except the remuneration consisting of the delivery of shares of the Company or of options thereon or which is indexed to the price of the shares of Iberdrola, which must be approved by the shareholders acting at a General Shareholders' Meeting.

The Remuneration Committee, which met on 12 occasions during financial year 2021, is comprised of the following as at the date of this report:

- Mr Juan Manuel González Serna (chair, independent)
- Mr Iñigo Víctor de Oriol Ibarra (member, other external)
- Mr Manuel Moreu Munaiz (member, independent)
- Mr Rafael Mateu de Ros Cerezo (secretary, non-member)

In all of their decision-making processes, the Remuneration Committee has received information and advice from the internal services of the Company and from expert external consultants in this area, taking into consideration the most demanding remuneration recommendations and policies at the international level. In particular, the advice of "PricewaterhouseCoopers Asesores de Negocios, S.L." ("**PwC Asesores**") was relied upon to evaluate the performance of the executive directors during financial year 2021.

A benchmark analysis of the remuneration paid by the Company compared to the remuneration paid to executive directors by other comparable companies has also been performed internally. A summary thereof is included in section D of this Report.

The proposal determining the individual remuneration of each executive director was submitted by the Remuneration Committee to the Board of Directors at its meeting of 21 February 2022.

- B.1.2 Explain any deviation from the procedure established for the application of the remuneration policy that has occurred during the year.

There have been no deviations from the established procedure.

- B.1.3 Indicate whether any temporary exception has been applied to the remuneration policy and, if so, explain the exceptional circumstances that have led to the application of these exceptions, the specific components of the remuneration policy



affected and the reasons why the entity believes that these exceptions have been necessary to serve the long-term interests and sustainability of the society as a whole or ensure its viability. Similarly, quantify the impact that the application of these exceptions has had on the remuneration of each director over the year.

No temporary exception has been applied.

- B.2 Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risks, aligning it with the long-term objectives, values and interests of the company, including a reference to the measures adopted to ensure that the long-term results of the company have been taken into consideration in the remuneration accrued. Ensure that an appropriate balance has been attained between the fixed and variable components of the remuneration, the measures adopted in relation to those categories of personnel whose professional activities have a material effect on the company's risk profile and the measures in place to avoid any possible conflicts of interest.

As already explained in section A.1.2 of this Report, multi-annual variable remuneration has a high specific weight in the overall remuneration of executive directors, and its main purpose is to align with the interests of shareholders, taking into account the long-term interests and results of the Company. In this regard, the period for evaluating the performance of the long-term remuneration plans is extended to 3 years. In addition, the payment of this remuneration is implemented through the delivery of shares over the next 3 years. And each deferred delivery of shares is subject to prior confirmation by the Remuneration Committee of the validity of the grounds for the evaluation in order to assess whether it is appropriate to totally or partially cancel the corresponding payment and, if applicable, to claim the total or partial reimbursement of the shares already delivered.

As regards the balance between fixed and variable components of remuneration, see the explanation of the remuneration mix in section A.1.2 of this Report.

- B.3 Explain how the remuneration accrued and consolidated over the financial the year complies with the provisions of the current remuneration policy and, in particular, how it contributes to the company's long-term and sustainable performance.

Furthermore, report on the relationship between the remuneration obtained by the directors and the results or other performance measures of the company in the short and long term, explaining, if applicable, how variations in the company's performance have influenced changes in directors' remuneration, including any accrued remuneration payment of which has been deferred, and how such remuneration contributes to the short- and long-term results of the company.

The remuneration accrued in financial year 2021 fully conforms to the current Director Remuneration Policy. In this regard: (i) it does not exceed the overall limit established by Article 48.1 of the By-Laws; (ii) it has been formulated and approved by the competent decision-making bodies following the prescribed procedure; (iii) it respects the remuneration principles and structure provided by the Director



Remuneration Policy; and (iv) the annual fixed remuneration to be paid to the directors does not exceed the limits set forth in the Policy.

The annual variable remuneration accrued by the executive directors for the performance of their executive duties during financial year 2021 has taken into account as a reference the parameters and objectives identified in the Annual Director Remuneration Report approved by the shareholders on a consultative basis at the General Shareholders' Meeting held on 18 June 2021. Furthermore, this remuneration is consistent with the parameters, indicators and objectives presented at the Capital Markets Day held on 5 November 2020, which forecast a Company that is financially profitable in the long term, respectful of and committed to the environment, and engaged with its various Stakeholders, to which it contributes with the social dividend envisaged in Article 7 of the By-Laws as the sustainable contribution of value to such Stakeholders.

The Board of Directors, at the proposal of the Remuneration Committee, considers that the results for financial year 2021 have exceeded the budget and that the objectives have been fully achieved. Furthermore, they have been achieved in extremely complex and adverse circumstances (pandemic, regulatory uncertainty, tax adjustment in the United Kingdom, etc.). Therefore, the annual variable remuneration of the chairman & CEO has amounted to 100% of the maximum amount contemplated in the Annual Director Remuneration Report for financial year 2020. The annual variable remuneration of the former Business CEO has amounted to 100% of the maximum forecast in the aforementioned Report. Section B.11 describes the terms for the cessation of Francisco Martínez Córcoles as executive director.

A summary of the performance of each of the executive directors compared to their benchmark parameters is set forth below.

Chairman & CEO:

- Economic/financial objectives; 50% specific weight:
 - Net profit for the financial year 2021 amounted to €3,885 million, 107.6% of the target.
 - Shareholder remuneration amounted to €0.422 per share, an increase in line with net profit. The dividend has grown by 35.3% since 2017, which entails average annual growth of 7.8%. Pay-out has amounted to 75.2%, above the maximum of the established range.
 - In terms of financial strength, the year-end FFO/net debt ratio was 23.9%, 0.4% higher than the previous year, and in any case above the target.
- Sustainable development goals; 50% specific weight:
 - Women represent 33.7% of positions of responsibility, 0.7% more than the previous year. The percentage of women in senior management (27.27%) is noteworthy.
 - Iberdrola maintains its presence on the world's leading sustainability indices (DJSI, FTSE4Good, World's Most Ethical Companies). It is also included on other indices: Global 100, CDP Climate Change, ISS ESG



(Prime), MSCI Global Sustainability Index (AAA), Bloomberg Gender Equality Index, etc.

- The number of training hours provided in 2021 amounts to 58.6 hours/employee, far higher than comparable companies according to FUNDAE (State Foundation for Employment Training), far exceeding full compliance with the objective.

Business CEO:

- Economic/financial objectives; 50% specific weight:
 - Net profit of the Businesses amounted to €3,947 million, 100.8% of the target. Taking into account unexpected impacts (reversal of the hydroelectric fee, adjustment of tax rates in the UK, COVID effect, etc.), the figure would amount to €3,893 million, 0.4% higher than budgeted for the year.
- Growth objectives; 50% specific weight:
 - The value of the new regulated assets placed into operation reached €2,911 thousand, 104.2% of full achievement of the objective.
 - New installed capacity in the year amounted to 3,483 MW, which brings us closer to the 2025 target of 60 GW.
 - The number of contracts exceeded 28.06 million, an achievement level of 106%.
 - The accident rate has reached 97% of the objective.

Other aspects of the Company's performance in 2021 is described below:

- EBITDA grew by 20% to over €12,000 million.
- 7,800 MW under construction, of which 2,600 MW are off-shore.
- The remuneration basis of regulated assets has grown by €2,000 million to €33,000 million.
- 50% of operating margin is protected against inflation and supplies for 2022 are secured with fixed prices.
- New hires of 5,100 professionals into the group, 47% of them young people under the age of 30.

As regards the multi-annual variable remuneration received in financial year 2021, Section D of the Annual Remuneration Report for financial year 2020 reports on the Company's performance compared to the objectives for the 2017-2019 Strategic Bonus, the second delivery of shares from which was effected in the first quarter of 2021.

- B.4 Report on the result of the consultative vote at the General Shareholders' Meeting on remuneration in the previous year, indicating the number of votes in favour, votes against, abstentions and blank ballots:



	Number	% of total
Votes cast	4,224,969,018	65.83

	Number	% of votes cast
Votes against	688,889,858	16.31
Votes in favour	3,453,657,867	81.74
Blank ballots	877,385	0.02
Abstentions	81,543,908	1.93

- B.5 Explain how the fixed components accrued and vested during the year by the directors in their capacity as such were determined, their relative proportion with regard to each director and how they changed with respect to the previous year

The remuneration of the directors in their capacity as such is determined in the Director Remuneration Policy approved by the shareholders at the General Shareholders' Meeting held on 18 June 2021. It has remained unchanged since 2008. Outside directors do not receive variable remuneration.

- B.6 Explain how the salaries accrued and vested by each of the executive directors over the past financial year for the performance of management duties were determined, and how they changed with respect to the previous year.

Salaries accrued during 2021 by each of the executive directors are determined in the Director Remuneration Policy approved by the shareholders at the General Shareholders' Meeting held on 18 June 2021.

The fixed remuneration comes to €2,250 thousand in the case of the chairman & CEO and to €833 thousand in the case of the Business CEO (who ceased to hold office as an executive officer effective 1 November 2021). The annualised amounts have not changed compared to the past year.

- B.7 Explain the nature and the main characteristics of the variable components of the remuneration systems accrued and vested in the year last ended.

In particular:

- a) Identify each of the remuneration plans that determined the different types of variable remuneration accrued by each of the directors in the year last ended, including information on their scope, date of approval, date of implementation, any vesting conditions that apply, periods of accrual and validity, criteria used to evaluate performance and how this affected the establishment of the variable amount accrued, as well as the measurement criteria used and the time needed to be able to adequately measure all the conditions and criteria stipulated, explaining the criteria and factors applied in regard to the time required and the methods of verifying that the performance or any other kind of conditions linked to the accrual and vesting of each component of variable remuneration have effectively been met.
- b) In the case of share options and other financial instruments, the general characteristics of each plan must include information on the conditions both for



- acquiring unconditional ownership (vesting) of these options or financial instruments and for exercising them, including the exercise price and period.
- c) Each director that is a beneficiary of remunerations systems or plans that include variable remuneration, and his or her category (executive director, external proprietary director, external independent director or other external director).
 - d) Information is to be provided on any periods for accrual, vesting or deferment of payment of vested amounts applied and/or the periods for retention/unavailability of shares or other financial instruments, if any.

Explain the short-term variable components of the remuneration systems
The only directors that are entitled to annual variable remuneration are the executive directors. In this regard, section B.3 above describes their annual variable remuneration, the relation thereof to the Company's performance, and the performance of each of them with respect to the objectives and parameters contained in the Annual Director Remuneration Report approved by the shareholders on a consultative basis at the General Shareholders' Meeting.

Explain the long-term variable components of the remuneration systems
<p>The evaluation period for purposes of the 2017-2019 Strategic Bonus approved at the General Shareholders' Meeting held on 31 March 2017 finished on 31 December 2019. The Board of Directors, upon a proposal from the Remuneration Committee, considered that the objectives to which said multi-annual variable remuneration was linked had been fully achieved, for which reason the maximum number of shares contemplated should be allocated to each of the executive directors. The Remuneration Committee relied on the advice of PwC Asesores for these purposes. Section D of the Director Remuneration Report for financial year 2020 reports on the Company's performance in relation to the parameters and objectives set out in the shareholders' resolution.</p> <p>The second of the three deliveries of shares was made on 1 March 2021, after the Remuneration Committee issued a report confirming that the grounds for this deferred variable remuneration still applied.</p> <p>In this respect, it should be noted that the increase in multi-annual variable remuneration is mainly due to the increase in the price of the shares delivered compared to the price in previous years. Along these lines, the capitalisation of the Company has increased by 68.3% to €66,781 thousand during the period 1/1/17-1/3/21. In short, this item of remuneration is consistent with its purpose: to align the interests of executive directors with those of the shareholders, taking into consideration the long-term results of the Company.</p> <p>The Director Remuneration Policy provides that they may not transfer ownership of the shares received for a period of 3 years unless they maintain a</p>



net financial exposure to changes in the share price having a market value equal to twice their annual fixed remuneration.

- B.8 Indicate whether certain variable components have been reduced or clawed back when, in the former case, payment of non-vested amounts has been deferred or, in the latter case, they have vested and been paid, on the basis of data that have subsequently been clearly shown to be inaccurate. Describe the amounts reduced or clawed back through the application of the “malus” (reduction) or clawback clauses, why they were implemented and the years to which they refer.

This has not occurred.

- B.9 Explain the main characteristics of the long-term savings schemes where the amount or equivalent annual cost appears in the tables in Section C, including retirement and any other survivor benefit, whether financed in whole or in part by the company or through internal or external contributions, indicating the type of plan, whether it is a defined contribution or defined benefit plan, the contingencies covered, the conditions on which the economic rights vest in favour of the directors and their compatibility with any type of indemnification for early termination or cessation of the contractual relationship between the company and the director.

The company does not currently have any long-term savings scheme.

- B.10 Explain, where applicable, the indemnification or any other type of payment deriving from the early cessation, whether at the company's or the director's initiative, or from the termination of the contract in the terms provided therein, accrued and/or received by directors during the year last ended.

Pursuant to the provisions of section 4.3 of the Director Remuneration Policy regarding the non-competition commitment of external non-proprietary directors, Mr José Walfredo Fernández, who resigned as director on 6 August 2021, received a severance payment equal to 90% of the fixed amount he would have received for the remainder of his term. The amount of this severance payment is shown in section C of this Report.

- B.11 Indicate whether there have been any significant changes in the contracts of persons exercising senior management functions, such as executive directors, and, if so, explain them. In addition, explain the main conditions of the new contracts signed with executive directors during the year, unless these have already been explained in Section A.1.

Mr Francisco Martínez Córcoles ceased to hold office as an executive officer effective 1 November 2021. He continues as a member of the Board of Directors with the status of other external. On the occasion of his departure, he was recognised for his long professional career (36 years at Iberdrola), his decisive contribution to the operational excellence of the Company and to the creation of a world energy leader with a high rate of return to its shareholders that has generated value sustainably for all of its Stakeholders. His merits have earned him the status of “good leaver” by the Board of Directors. In this regard, in addition to fixed remuneration until the effective date of his cessation in office



as an executive officer, the Remuneration Committee has proposed to recognise his right to receive 100% of the annual variable remuneration corresponding to his performance in 2021, the third delivery of shares from the 2017-2019 Strategic Bonus, and the remuneration corresponding to the 2020-2022 Strategic Bonus. The cessation of office of Mr Francisco Martínez Córcoles did not give rise to any severance payment or financial compensation for the non-competition undertaking.

- B.12 Explain any supplementary remuneration accrued by directors in consideration of the provision of services other than those inherent in their position.

No supplementary remuneration has accrued.

- B.13 Explain any remuneration deriving from advances, loans or guarantees granted, indicating the interest rate, their key characteristics and any amounts returned, as well as the obligations assumed on their behalf by way of guarantee.

None.

- B.14 Itemise the remuneration in kind accrued by the directors during the year, briefly explaining the nature of the various salary components.

Remuneration in kind for all members of the Board of Directors is not significant and has not exceeded €150 thousand (mainly the employee electricity rate and health and casualty insurance).

- B.15 Explain the remuneration accrued by any director by virtue of payments made by the listed company to a third company in which the director provides services when these payments seek to remunerate the director's services to the company.

None.

- B.16 Explain and detail the amounts accrued in the year in relation to any other remuneration concept other than that set forth above, whatever its nature or the group entity that pays it, including all benefits in any form, such as when it is considered a related-party transaction or, especially, when it significantly affects the true image of the total remuneration accrued by the director. Explain the amount granted or pending payment, the nature of the consideration received and the reasons for those that would have been considered, if applicable, that do not constitute remuneration to the director or in consideration for the performance of their executive functions and whether or not has been considered appropriate to be included among the amounts accrued under the "Other concepts" heading in Section C.

The chairman of the Board of Directors has received remuneration as chairman of the Boards of Directors of Avangrid, Inc. and of Neoenergia S.A. The amount of said remuneration is reflected in section C of this Report.

**C ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR**

Name	Type	Period of accrual in year 2022
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	Executive Chairman	From 01/01/2021 until 31/12/2021
MR IÑIGO VÍCTOR DE ORIOL IBARRA	Other External Director	From 01/01/2021 until 31/12/2021
MS SAMANTHA BARBER	Other External Director	From 01/01/2021 until 26/10/2021
MS MARÍA HELENA ANTOLÍN RAYBAUD	Independent Director	From 01/01/2021 until 31/12/2021
MR JOSÉ WALFREDO FERNÁNDEZ	Independent Director	From 01/01/2021 until 06/08/2021
MR MANUEL MOREU MUNAIZ	Independent Director	From 01/01/2021 until 31/12/2021
MR XABIER SAGREDO ORMAZA	Independent Director	From 01/01/2021 until 31/12/2021
MR JUAN MANUEL GONZÁLEZ SERNA	Independent Director	From 01/01/2021 until 31/12/2021
MR FRANCISCO MARTÍNEZ CÓRCOLES	Other External Director	From 01/01/2021 until 31/12/2021
MR ANTHONY L. GARDNER	Independent Director	From 01/01/2021 until 31/12/2021
MS SARA DE LA RICA GOIRICELAYA	Independent Director	From 01/01/2021 until 31/12/2021
MS NICOLA MARY BREWER	Independent Director	From 01/01/2021 until 31/12/2021
MS REGINA HELENA JORGE NUNES	Independent Director	From 01/01/2021 until 31/12/2021
MR ÁNGEL JESÚS ACEBES PANIAGUA	Independent Director	From 01/01/2021 until 31/12/2021
MS MARÍA ÁNGELES ALCALÁ DÍAZ	Independent Director	From 26/10/2021 until 31/12/2021
MS ISABEL GARCÍA TEJERINA	Independent Director	From 16/12/2021 until 31/12/2021

C.1 Complete the following tables regarding the individual remuneration of each director (including remuneration received for performing executive duties) accrued during the year.

a) **Remuneration from the reporting company:**

i) **Remuneration accruing in cash (thousands of euros)**



Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnification	Other items	Total in year 2021	Total in year 2020
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	567	92		2,250	3,250			107	6,266	6,242
MR IÑIGO VÍCTOR DE ORIOL IBARRA	165	40	88					4	297	314
MS SAMANTHA BARBER	135	58	72					1	266	446
MS MARÍA HELENA ANTOLÍN RAYBAUD	165	56	275					6	502	496
MR JOSÉ WALFREDO FERNÁNDEZ	99	30	52				374	1	556	294
MR MANUEL MOREU MUNAIZ	165	70	88					3	326	325
MR XABIER SAGREDO ORMAZA	165	64	275					4	508	505
MR JUAN MANUEL GONZÁLEZ SERNA	165	110	275					2	552	536
MR FRANCISCO MARTÍNEZ CÓRCOLES	165	16		833	1,000			160	2,174	2,216
MR ANTHONY L. GARDNER	165	42	122					2	331	288
MS SARA DE LA RICA GOIRICELAYA	165	56	275					3	499	385
MS NICOLA MARY BREWER	165	36	88					1	290	212
MS REGINA HELENA JORGE NUNES	165	40	88					1	294	216
MR ÁNGEL JESÚS ACEBES PANIAGUA	165	66	88					4	323	61
MS MARÍA ÁNGELES ALCALÁ DÍAZ	30	6	16						52	
MS ISABEL GARCÍA TEJERINA	7		4						11	

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

Name	Name of Plan	Financial instruments at start of year 2021		Financial instruments granted during year 2021		Financial instruments vested during the year				Instruments matured but not exercised	Financial instruments at end of year 2021	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent / vested shares	Price of vested shares	EBITDA from vested shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	No. of equivalent shares



MR JOSÉ IGNACIO SÁNCHEZ GALÁN	17-19 Strategic Bonus		1,900,000				633,333	€10.44	6,614			633,334
	20-22 Strategic Bonus		1,900,000					0				1,900,000
MR FRANCISCO MARTÍNEZ CÓRCOLES	17-19 Strategic Bonus		300,000				100,000	€10.25	1,025			100,000
	20-22 Strategic Bonus		300,000					0				300,000

Observations

The chairman & CEO received the second delivery of shares (633,333 in 2021) corresponding to the payment of the 2017-2019 Strategic Bonus approved by the shareholders at the General Shareholders' Meeting held on 31 March 2017. Each of the deliveries of said shares is subject to confirmation by the Board of Directors, after a report from the Remuneration Committee, that the circumstances on which the performance evaluation was based remain in effect. The number of shares delivered is the same as last year. The increase in the remuneration thereof is the result of the increase in the share price.

Pursuant to the provisions of the 2020-2022 Strategic Bonus approved by the shareholders at the General Shareholders' Meeting held on 2 April 2020, the chairman & CEO may receive up to a maximum of 1,900,000 shares based on the evaluation of performance during the 2020-2022 period, to be paid, if appropriate, in three equal parts in 2023, 2024 and 2025.

For his part, the Business CEO (who ceased to hold office as an executive officer effective 1 November 2021) received the second delivery of shares (100,000 in 2021) corresponding to the payment of the 2017-2019 Strategic Bonus. Each of the deliveries of said shares is subject to confirmation by the Board of Directors, after a report from the Remuneration Committee, that the circumstances on which the performance evaluation was based remain in effect. The number of shares delivered is the same as last year. The increase in the remuneration thereof is the result of the increase in the share price.

Pursuant to the provisions of the 2020-2022 Strategic Bonus, the director Mr Francisco Martínez Córcoles may receive up to a maximum of 300,000 shares, to be paid, if appropriate, in three equal parts in 2023, 2024 and 2025.

iii) Long-term savings schemes

iv) Details of other items

b) Remuneration of directors of the listed company for seats on the boards of other subsidiary companies:

i) Remuneration accruing in cash (thousands of euros)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnification	Other items	Total in year 2021	Total in year 2020
MR JOSÉ IGNACIO	325								325	307



SÁNCHEZ GALÁN											
MS MARÍA ÁNGELES ALCALÁ DÍAZ	67									67	20
MS ISABEL GARCÍA TEJERINA	114									114	22

Observations

Mr José Ignacio Sánchez Galán is chairman of the Board of Directors of Neoenergía, S.A. and Avangrid, Inc.
 Ms María Ángeles Alcalá Díaz has been a director of Iberdrola España, S.A.
 Ms Isabel García Tejerina has been a director of Neoenergía, SA.

ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments

Name	Name of Plan	Financial instruments at start of year 2021		Financial instruments granted during year 2021		Financial instruments vested during the year				Instrument mated but not exercised	Financial instruments at end of year 2021	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/vested shares	Price of vested shares	EBITDA from vested shares or financial instruments (thousands of euros)	No. of instruments	No. of instruments	No. of equivalent shares
Director 1	Plan 1											
	Plan 2											

iii) Long-term savings schemes

iv) Details of other items

c) Summary of remuneration (thousands of euros):

This summary must include the amounts corresponding to all the remuneration items included in this report that have accrued to each director, in thousands of euros.

Name	Remuneration accruing in the Company					Remuneration accruing in group companies					Total in year 2021 company + group
	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration by way of savings systems	Other items of remuneration	Total in year 2021 company	Total cash remuneration	Gross benefit of vested shares or financial instruments	Remuneration by way of savings systems	Other items of remuneration	Total in year 2021 group	



MR JOSÉ IGNACIO SÁNCHEZ GALÁN	6,266	6,614			12,880	325				325	13,205
MR IÑIGO VÍCTOR DE ORIOL IBARRA	297				297						297
MS SAMANTHA BARBER	266				266						266
MS MARÍA HELENA ANTOLÍN RAYBAUD	502				502						502
MR JOSÉ WALFREDO FERNÁNDEZ	556				556						556
MR MANUEL MOREU MUNAIZ	326				326						326
MR XABIER SAGREDO ORMAZA	508				508						508
MR JUAN MANUEL GONZÁLEZ SERNA	552				552						552
MR FRANCISCO MARTÍNEZ CÓRCOLES	2,174	1,025			3,199						3,199
MR ANTHONY L. GARDNER	331				331						331
MS SARA DE LA RICA GOIRICELAYA	499				499						499
MS NICOLA MARY BREWER	290				290						290
MS REGINA HELENA JORGE NUNES	294				294						294
MR ÁNGEL JESÚS ACEBES PANIAGUA	323				323						323
MS MARÍA ÁNGELES ALCALÁ DÍAZ	52				52	67				67	119
MS ISABEL GARCÍA TEJERINA	11				11	114				114	125
Total:	13,247	7,639			20,886	506				506	21,392

Observations

C.2 Indicate the evolution in the last five years of the amount and percentage variation of the remuneration accrued by each of the directors of the listed company who have held



this position during the year, the consolidated results of the company and the average remuneration on an equivalent basis with regard to full-time employees of the company and its subsidiaries that are not directors of the listed company.

	Total amounts accrued and % annual variation								
	Year 2021	% change 2021/2020	Year 2020	% change 2020/2019	Year 2019	% change 2019/2018	Year 2018	% change 2018/2017	Year 2017
Executive directors									
MR JOSÉ IGNACIO SÁNCHEZ GALÁN	13,205	8.23	12,201	16.96	10,432	9.22	9,551	0.81	9,474
External directors									
MR IÑIGO VÍCTOR DE ORIOL IBARRA	297	-5.41	314	1.29	310	4.73	296	-1.00	299
MS SAMANTHA BARBER	266	-40.36	446	-14.89	524	1.55	516	0.39	514
MS MARÍA HELENA ANTOLÍN RAYBAUD	502	1.21	496	-0.60	499	2.67	486	-0.21	487
MR JOSÉ WALFREDO FERNÁNDEZ	556	89.12	294	0.00	294	0.00	294	0.68	292
MR MANUEL MOREU MUNAIZ	326	0.31	325	3.17	315	-0.63	317	0.63	315
MR XABIER SAGREDO ORMAZA	508	0.59	505	6.54	474	60.68	295	0.68	293
MR JUAN MANUEL GONZÁLEZ SERNA	552	2.99	536	10.29	486	25.58	387	41.24	274
MR FRANCISCO MARTÍNEZ CÓRCOLES	3,199	3.36	3,095	-1.37	3,138	6.95	2,934	9.64	2,676
MR ANTHONY L. GARDNER	331	14.93	288	1.41	284	43.43	198	-	0
MS SARA DE LA RICA GOIRICELAYA	499	29.61	385	76.61	218	-	0	-	0
MS NICOLA MARY BREWER	290	36.79	212	-	0	-	0	-	0
MS REGINA HELENA JORGE NUNES	294	36.11	216	-	0	-	0	-	0
MR ÁNGEL JESÚS ACEBES PANIAGUA	323	429.51	61	-16.44	73	-76.75	314	0.32	313
MS MARÍA ÁNGELES ALCALÁ DÍAZ	119	-	0	-	0	-	0	-	0
MS ISABEL GARCÍA TEJERINA	125	-	0	-	0	-	0	-	0
Consolidated results of the company	3,885	7.59	3,611	4.18	3,466	15.00	3,014	7.49	2,804
Average employee remuneration	77	-1.28	78	-4.88	82	3.80	79	-17.71	96

Observations



The fixed remuneration of external directors has remained unchanged during the reporting period. The changes appearing in the table are due to the following reasons: (i) the director has not been in office during the entire year; (ii) at some point during the year the director has assumed, or ceased to assume, the chairmanship of a consultative committee; and (iii) the amount of attendance fees has changed due to a different number of meetings of the Board of Directors or of the relevant committee.

As regards the remuneration of the executive directors, the main reason for the changes is the increase in multi-annual variable remuneration due to the increase in the share price (and, to a lesser extent, also in the number of shares delivered), as explained in section B.7 of this Report.

The average employee remuneration figure includes: wages and salaries, social security, pensions, social expenses and extraordinary items. Average employee remuneration is not materially affected by changes in the share price. Average remuneration of employees is affected by internalisation of basic Network services in Brazil that were previously outsourced, as well as by the growth of the company's industrial activity in Latin America, which has led to a reduction in the overall average remuneration of employees.



D OTHER INFORMATION OF INTEREST

If there are any significant issues relating to directors' remuneration that it has not been possible to include in the foregoing sections of this report, but which it is necessary to include in order to provide more comprehensive and reasoned information on the remuneration structure and practices of the company with regard to its directors, list them briefly.

BENCHMARK

In February 2022 the Remuneration Committee received an internal benchmark analysis of the total remuneration of executive directors.

This analysis used the following criteria to select the comparison group:

1. Utilities (5 selected companies):
 - Companies listed on the S&P 500 Utilities and Stoxx Europe 600 indices.
 - Companies belonging to the European Round Table of Industrialists (ERT) and Business Round Table (BRT).
 - Turnover in the last financial year of at least 50% of Iberdrola's turnover, provided that the market capitalisation exceeds €10,000 million.
 - Companies in which the government has a management or ownership stake have been eliminated.
2. Conglomerate sample (31 selected companies):
 - Companies listed on the FTSE Eurotop 100 and S&P 500 indices.
 - Companies belonging to the European Round Table of Industrialists (ERT) and Business Round Table (BRT).
 - Turnover in the last financial year and market capitalisation, between approximately 50% and 200% of Iberdrola's size.
 - International presence and geographic diversity comparable to those of Iberdrola.
 - Financial services and insurance companies excluded.
3. Top IBEX 35 companies by capitalisation (3 selected companies).
4. European companies positioned to tackle the energy transition (6 selected companies).

The list of companies is as follows:

Utilities:

DUKE ENERGY CORP
E.ON SE
EXELON CORP



NEXTERA ENERGY
SOUTHERN CO

Conglomerates:

3M CO
ABB LTD-REG
AIR LIQUIDE SA
AIRBUS SE
AMERICAN EXPRESS
ARCHER-DANIELS
BOEING CO/THE
BRISTOL-MYER SQB
CATERPILLAR INC
DEERE & CO
DOW INC
FREEPORT-MCMORAN
GENERAL DYNAMICS
GLAXOSMITHKLINE
HEINEKEN NV
HONEYWELL INTL
HP INC
HUMANA INC
IBM
JOHNSON CONTROLS
LOCKHEED MARTIN
MEDTRONIC PLC
MICRON TECH
NORTHROP GRUMMAN
RAYTHEON TECHNOL
RIO TINTO PLC
SIEMENS AG-REG
STARBUCKS CORP
SYSCO CORP
VODAFONE GROUP
VOLVO AB-A

Ibex-35:

BANCO SANTANDER
BBVA
INDITEX

European energy transition companies:

BP PLC
ENI SPA
EQUINOR ASA



REPSOL SA
ROYAL DUTCH SHELL
TOTALENERGIES SE

IBERDROLA's positioning is in the decile of the median of the comparable group in both the dimensions considered in the criteria (capitalisation and turnover) and in total remuneration.

This Annual Corporate Governance Report was approved by the company's board of directors at a meeting thereof held on 22 February 2022.

Indicate whether any director voted against or abstained from approving this report.

Yes

No



PROPOSED DISTRIBUTION OF PROFIT



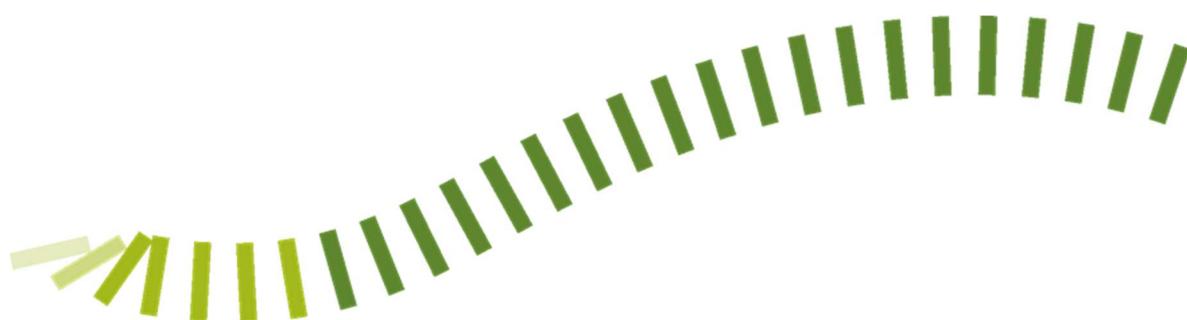
PROPOSED DISTRIBUTION OF PROFIT 2021

Euros	2021
Basis for distribution:	
Prior years' profit and loss	10,975,607,127
Profit for financial year 2021	2,160,324,321
Total	13,135,931,448
Distribution:	
To legal reserve	—
To dividends	Amount to be determined by adding: (a) the Total Interim Dividend and (b) the result of multiplying the Final Dividend by the total number of shares in respect of which the holders have decided to receive the Final Dividend under the framework of the first-time implementation of the Iberdrola <i>Retribución Flexible</i> optional dividend system for 2022.
To retained earnings	Amount to be determined resulting from deducting the amounts earmarked for dividends from the total basis for distribution.
Total	13,135,931,448

Subject to shareholder approval at the General Shareholders' Meeting of the resolutions relating to the *Iberdrola Retribución Flexible* optional dividend system for 2022, the gross amount of the *Final Dividend* is estimated to be at least EUR 0.27 per share. The final amount of the *Final Dividend* will be disclosed as soon as the Board of Directors (or the body to which it delegates this power) makes its decision in accordance with the terms of the dividend distribution and capital increase resolution that the Board of Directors will propose to the shareholders at the General Shareholders' Meeting in relation to the *Iberdrola Retribución Flexible* optional dividend system for 2022. Additionally, once the first implementation of the *Iberdrola Retribución Flexible* optional dividend system for 2022 is completed, the Board of Directors (with express authority to sub-delegate) will specify the aforementioned distribution proposal and determine the final amount of the dividend and the amount to be allocated to retained earnings.

Annual Financial Report

Statement of
responsibility



Year 2021



ANNUAL FINANCIAL REPORT STATEMENT OF RESPONSIBILITY 2021

The members of the Board of Directors of IBERDROLA, S.A. state that, to the best of their knowledge, the individual annual accounts of IBERDROLA, S.A. (balance sheet, profit and loss statement, statement of change in shareholders' equity, statement of cash flows and notes), as well as the consolidated annual accounts of IBERDROLA, S.A. and its subsidiaries (consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated notes) for the fiscal year ended on December 31, 2021, issued by the Board of Directors at its meeting held on February 22, 2022, and prepared in accordance with the applicable accounting standards, present a fair view of the assets, financial condition and income of IBERDROLA, S.A., as well as of its subsidiaries included within its scope of consolidation, taken as a whole, and that the management reports supplementing the individual and consolidated annual accounts and the consolidated *Statement of Non-Financial Information. Sustainability Report* contain a fair assessment of the corporate performance and of the position of IBERDROLA, S.A. and of its subsidiaries included within its scope of consolidation, taken as a whole, as well as a description of the principal risks and uncertainties facing them.

Madrid, February 22, 2022

Mr José Ignacio Sánchez Galán
Chair & Chief Executive Officer

Mr Juan Manuel González Serna
First vice-chair and Lead independent director

Mr Anthony Luzzatto Gardner
Second vice-chair

Mr Íñigo Víctor de Oriol Ibarra
Director

Ms María Helena Antolín Raybaud
Director

Mr Manuel Moreu Munaiz *Consejero*
Director

Mr Xabier Sagredo Ormaza
Director

Mr Francisco Martínez Córcoles
Director

Ms Sara de la Rica Goiricelaya
Director

Ms Nicola Mary Brewer
Director

Ms Regina Helena Jorge Nunes
Director

Mr Ángel Jesús Acebes Paniagua
Director

Ms María Ángeles Alcalá Díaz
Director

Ms Isabel García Tejerina
Director



Certificate drafted by the secretary of the Board of Directors to put on record that the directors Ms Nicola Mary Brewer and Mr Xabier Sagredo Ormaza do not sign by reason of their attendance to the meeting using remote communication systems, with the First vice-chair and Lead independent director, Mr Juan Manuel González Serna, signing in lieu of the director Ms Nicola Mary Brewer, and the director Ms María Ángeles Alcalá Díaz signing in lieu of the director Mr Xabier Sagredo Ormaza, both following the express instructions issued for such purposes by the referred directors.

Julián Martínez-Simancas Sánchez