

Annual Directors Remuneration Report

Financial Year 2021



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

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>) 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

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.

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.

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.

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 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 ANGELES 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
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 SÁNCHEZ GALÁN	325								325	307
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 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
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
<p>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.</p> <p>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.</p> <p>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.</p>

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